

# Maclean's

Canada's Weekly Newsmagazine

January 24, 2000

**SPECIAL REPORT**  
The Hunt for Terrorists  
in Montreal

**ENVIRONMENT**  
A Scare About  
Tap Water



AOL Holdings  
entertainment



Neil Young



Joni Mitchell



Mike Myers



Matthew Perry

## What the AOL-Time Warner deal means

► The Internet Bubble

► Who's Next

► The Brain Drain

# Has Canada missed the wave?



- Why Web innovators are heading south—and what we have to do to keep them here
- While share prices skyrocket, who needs real money?



• The Winner: AOL's Steve Case, 41, out 'to change the world'

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# From the Editor

## An idea whose time has come

*"I felt I could make a small difference about what was going on and when I really wanted to ask help from the doctor."*

*"I feel better informed. I can ask my doctor about symptoms of pain or my diet and know what questions to ask."*

Unusual as it is for anyone to applaud the health-care system these days, officials in Victoria have been encouraged by the response to a special program aimed at giving people more information about their options for treatment. If the metrics initially held, the program could be expanded to the entire province—and provide hope that the crisis in emergency rooms can be solved.

The tools are simple: a handbook with guidelines to 180 common health problems and a call line, staffed weekday mornings and evenings by experienced nurses. The \$600,000 project, co-sponsored by the B.C. health ministry and Victoria's Capital Health Region, has enrolled 11,700 households and almost 10 per cent of the region's 390,000 inhabitants. The so-called *Headline Handbook* goes tips, suggestions for home treatment and advice on when to call a doctor or hospital. The



Emergency care: good news on health

health support line is backed by a computer health information database.

Eighteen months into the two-year study, the results are not definitive. But they suggest that unnecessary hospital visits can be reduced. And, just as important, people can gain more of a sense of control over their health problems.

The study measures responses from two groups: participants in the household sample and people referred to the call line by emergency departments.

In a tally of calls in 1998, officials saw that the number of people who decided they did not need to go to the hospital increased dramatically after they spoke to a nurse. Of the more than 1,000 people referred to the support line by emergency rooms, more than half chose to stay at home and deal with their problem under instruction from a professional.

When compared with other groups in the Victoria region, people in the study are using emergency rooms less frequently. "We don't expect the trend to change," says the health region's Andrew Haene, co-manager of the project.

This is not only good news for Victoria, it is a hopeful sign for legions of people across the country who are looking for solutions to the health-care dilemma. The time for health call lines is now.

*Robert Lewis*

senior@pandora.ca or to comment on From the Editor



## Newsroom Notes

### The best funds

**Next week,** *Atkins* will publish its fourth annual rankings of the best and worst mutual funds. Since its inception, the special report has grown into one of the most popular features of the year, eagerly awaited by Canadian investors and financial advisers.

This year's report will rate the best

and worst-performing funds in eight major categories, including Canadian equities, global equities and science and technology, plus an expert roundtable on the outlook for the market in 2000 and beyond. "It's the surprise of many, 1999 proved to be a stellar year for Canadian markets and funds," says Senior Business Correspondent Ross Laver, who oversees the rankings. "Will the trend continue, or are we due for a major downturn? Our panel has some surprising conclusions."

Laver also worked with Senior Writer Robert Sheppard, National Affairs Columnist Anthony Wilton-Smith and Contributing Editor Mary Jamison on this week's cover package (page 30). Their stories encompass the stunning AOL takeover of Time Warner in the United States and an authoritative new Canadian report, authored by Michael, on taxation and other steps we must take to keep our innovative entrepreneurs from seeking greater pastures across the border.

## Our race car... Here's one appointment on the Accord EX you didn't see coming.

The Accord EX is the most powerful car in its class. It's the only car in its class with a 30 VTEC engine. It's the only car in its class with a 30 VTEC engine. It's the only car in its class with a 30 VTEC engine.

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## Editorial Update

## The Maclean's Guide to Personal Finance 2000

Packed full of useful tips, expert advice and little-known ideas for getting the most from your money, the Maclean's Guide to Personal Finance 2000 is an



indispensable title for Canadians of all ages and incomes. Originated into five chapters starting with advice on choosing a financial adviser and ending with a definitive 10-year rating of 3,269 mutual funds, this year's edition is the result of five months of work headed by Ross Leves, one of Maclean's foremost business experts. With articles on investment strategies, home renovations, vacation properties and surviving a debt crisis, among many others, this guide has something for everyone concerned with their finances.

Priced at \$7.95, the Maclean's Guide to Personal Finance 2000 is now available at bookstores and newsstands everywhere.

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## Newsstand Notes



Designed with stakeholders in mind, the Maclean's new Web site [www.macleans.ca](http://www.macleans.ca) offers full access to all of the news, stories and profiles featured in the current issue of the magazine, available on the Sunday before the printed magazine hits newsstands. As well, Maclean's subscribers have access to a searchable archive of issues from the past six months—perfect for school assignments or business needs—and can review the status of their subscriptions. Non-subscribers are invited to scan highlights of all the stories featured in the current issue of Maclean's, plus check out special sections on film, music, technology, personal finance, education and health.

## Maclean's TV



Sundays 11:30 a.m.

Hosted by Pamela Wallin, this weekly half-hour show provides a vivid look at the people and news from the pages of Maclean's. Maclean's TV is television worth watching.

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words end up in the United States—and why." So of my immediate family now live in the States too, professionals who couldn't see paying off their student loans in Canadian dollars. Two, having sold two businesses, were frustrated with the sale price and waste of trying to buy another business. Two are grandfathers. They will become U.S. citizens.

Barbara Thompson, Kelowna, B.C.

This article has affirmed my conviction in the infinite possibilities the youth of today can achieve. I am proud

to say I am in this category and the possibilities for me, our country and our culture are unlimited. I have thought about these 100 men and women every day and have been bawling with pride. What better gift to give your readers than role models for their future.

Anthony DeBorja, London, Ont.

I hope "Faces of the future" inspires many disaffected youths, so they may find something in life that gives them purpose to the point of pushing the limits of what they thought possible to achieve. However, we must also be

aware that getting too much emphasis on success, fame and fortune, can end up shortening many normal teenagers' lives. Young and old ought to be able to exist in a world where they feel it is OK to be whatever they want to be. The faces of the future belong to everybody who will be here tomorrow.

Charles Leves, Vancouver

Canada

# IF YOU CARE ABOUT ENVIRONMENTAL ASSESSMENT

## SPEAK OUT!

You are invited to participate in the review of the Canadian Environmental Assessment Act. The Act requires that the environmental effects of a project involving the federal government receive careful consideration and provide opportunities for public participation in the assessment process.

### Public Consultations

Ottawa — January 21	Lennoxville Park
Victoria — January 1	Express Hotel
Vancouver — February 1	Simon Fraser University
Calgary — February 4	Holden Inc., MacLeod Trail
Edmonton — February 7	Cowx, Edmonton River Hotel
Whitehorse — February 9	Westmark Hotel
Yellowknife — February 15	Explorer Hotel
Ugahit — February 17	Royal Canadian Legion Hall
Thunder Bay — February 21	Lakehead University
Toronto — February 22	Wash Harbour Centre
Regina — February 28	Hotel Saskatchewan Radisson Plaza
Saskatoon — February 29	Sheraton Cavalier
Winnipeg — March 2	The Lombard Hotel
Charlottetown — March 6	Dick's PEI
St-John's — March 7	Hotel Newfoundland
Fredericton — March 8	Shenstone Fredericton Hotel
Montreal — March 9	Guy-Ferron Complex
Halifax — March 12	Shenstone Halifax
Quebec City — March 15	Hilton Québec

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# Notes

Edited by Tanya Davies

## A hikers' dream gets lost in the din

The **Trans Canada Trail**, scheduled to be formally opened in September, is one of the nation's grandest millennium projects. When Bill Pratt, the civic leader who brought the Olympic Games to Canada in 1988, and Pierre Caron of Ottawa founded the Trans Canada Trail Foundation eight years ago, their vision was of a quiet, cross-country corridor for hikers, cyclists and skiers. So both men were dismayed and angry when *Canadian Geographic* magazine informed them that local organizers were opening more than a quarter of the 16,000 km path to all-terrain vehicles and dirt bikes. The magazine's current issue reports that Pratt, interviewed a few days before his Nov. 27 death from Lou Gehrig's disease, was adamant that motorized vehicles—with the exception of limited snowmobile use in remote areas—should not be permitted on the trail. Caron, a former president of the Royal Canadian Geographical Society, says that ATV riders violate the foundation's "basic policy."

Often are likely to share the founder's reaction. "That concept featured prominently in the fund-raising effort that



ATVs along the Trans Canada Trail near Montserrat, Ont.: motorized vehicles violate the foundation's "basic policy"

brought in more than \$7 million from Canadians and a half dozen corporate sponsors, including *Maybach* and *Axminster Jeep*. Promotional ads portrayed people on foot, on horseback and even behind dog teams, but none on ATVs. One Jeep ad for the trail proclaimed, "Jeep-owners like to go their own way—sometimes even on foot." But like the nation it links, the Trans Canada Trail is actually a federation of paths regulated by various independent organizations—many of which say their members want ATV access. So in Nova Scotia, Newfoundland, Yukon and parts of Ontario and Alberta, hikers had better be aware of the local rules. So much for getting away from it all.

## Of loss and hope

Margaret Trudeau, 51, and her eldest son, Justin Trudeau, 28, appeared at a news conference in Vancouver last week and on *The Victor Garber Show* to speak of the loss of Michel Trudeau and to raise awareness of the danger of avalanches. Michel died in the icy waters of Echo Lake, B.C., in November 1988, after an avalanche sent his diving gear hurtling down a snowdrift. Here is what his mother had to say about dealing with the grief:

"It was like a nuclear bomb went off in our family and nothing could put it to rest."



Trudeaus at Mount Seymour, B.C., "in the gear through a healing journey of grief"

grief again the way it was before because we'd lost our heartbeats from it. We'd lost our loving, loving son, his [Justin's] loving brother. Pierre had lost his son. It was like a horrific nightmare.

But then through the gift of our faith, I think, and the gift of the support of our friends and our family and the groups that we used in our different ways to heal us, we've gone through a healing journey of grief.

"And I think we all know and we pass it on to each other constantly that Michel would want us to live happily. I'll live. That we all say."

Here is what Justin Trudeau said of the site where his youngest brother's body remains:

"It's glorious. It's one of the most beautiful places I've ever seen. That's where he was destined to be."

A snowboarder skied on an instructional run, finding fun



### Explorer

## A board with better balance

**Skis for the disabled** have been around for years, but now snowboards, too, could be available to early in next winter. Students at a Massachusetts college have spent four years developing the Accessible Snowboard, which allows riders to strap themselves in, either sitting or kneeling. Boards are low to the ground for better balance and can right themselves after a wipeout using upper-body strength. The board also has levers that raise or lower the seat to the right height for the chairlift.

Students at Hampshire College's Lemmon Assistive Technology Development Center in Amherst, Mass., designed the board as part of a program that encourages liberal-arts students to learn through creating products for those with physical, mental or age-related disabilities. Other projects include: sensor shoes that warn the blind of obstacles and a wheelchair conversion kit.

## Life-giving stars?

Anyone who has ever taken a biology course has been taught the theory that simple molecules give rise to life on Earth about four billion years ago. The theory, based on an experiment in 1953, suggests ammonia, methane, hydrogen and water vapour, when coaxed with energy from the sun and lightning, combined to form complex

organic molecules. Later, self-replicating, nucleic acids, the basis of all life-forms, evolved. Now, two University of Calgary scientists have discovered evidence that life on Earth may have had its easier time getting started.

Ammonium Sun Kook and Kevin Wilt, with Bruce Hirsak at Valparaiso University in Indiana, studied snow during the end of their life cycle. In a report released last week, Kook said their data indicate snow produces vast quantities of complex organic molecules that stream out into space. Some of these molecules could have landed on the Earth. Nature, says Kook, "may have been helped by having more ingredients to play with."

## An elaborate hunt

Those tired of violent video games, take heart: *American Explorer's Legacy*, distributed by Paris-based Ubi Soft Entertainment, is a 3-D, cinematic-quality game that relies less on gore and more on plot and problem-solving. Benoit Solak, a European comic-book writer, spent four years writing and illustrating this adventure. The game, which is available at some large Canadian retailers or at [www.ubisoft.com](http://www.ubisoft.com) for \$59.99, starts in France and roams through the jungles of the imaginary Central American nation of Ameronea. Gorgeous cinematic sequences are filmed from some 72,000 graphic frames. The quest for players is to find an egg that holds the promise of eternal life. This adventure may be about as action, but is a long, lush trip for the senses.

Susan Oh and Daryle Howelshin

# Passages

**Named:** Singer Sarah McLachlan, 31, musician Tom Jackman, 51, publisher Jack Stockland, 55, and president of General Motors of Canada, Maureen Knapman Durlin, 51, as officers of the Order of Canada, in Ottawa. The 81 companions, officers and members will receive their honour at last Gov. Gen. Adrienne Clarkson at a Golden Jubilee ceremony.



McLachlan

**Died:** Wesley Black, 89, a key manager in W.A.C. Bennett's B.C. cabinet, after being admitted to hospital with pneumonia in Victoria. Other than Bennett, Black was the only person to sit in the cabinet for the Social Credit party's full 29 years of power that began in 1952.

**Launched:** A lawsuit by birthrite Myan Baidal, 30, a two-time Olympic gold medalist, against Wigley Canada Inc. and the advertising agency BBDO Canada Inc., for using a computerized photograph of her in the 1998 Nagano Games in an ad campaign, in Montreal. The cheating game ads show a grinning, unrecognizable and bald star.

**Recovering:** Talk-show host David Letterman, 52, from emergency quadruple bypass surgery after his chest was hit by a car's steering wheel in New York City.

**Set:** A speed-skating world record in the 1,000-m race by Red Dyer, 44, a *Johnny Waterspoon*, 23, at the Canadian championships in Calgary.

**Staying:** Dr. Wilbert Koon is director-general of the University of Ottawa's Heart Institute. Koon, 64, a renowned heart surgeon, offered to quit after he attended "john school" rather than face charges for speaking with an undercover policewoman posing as a prostitute. The board of the institute had earlier refused his resignation.

**Died:** Bill Downs, 69, an outspoken former Tory MP and anti-racism campaigner, who represented Scarborough, Ont., in Toronto.

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## Opening Notes

### Best-Sellers

Fiction	POSITION LAST WEEK
1. <b>NO QUESTIONS</b> , Michael Ondaatje (D) 1	
2. <b>PELDER</b> , Timothy Findley (D) 2	
3. <b>ELIZABETH AND AFTER</b> , Jane Camp (D) 3	
4. <b>BLAZE AT THE HEART</b> , Patrick O'Brian (D) 4	
5. <b>GOING HOME</b> , D. J. O'Rourke (D) 5	
6. <b>ATLANTIC SOUND</b> , Glen Coulson (D) 6	
7. <b>THEIR</b> , Michael Ondaatje (D) 7	
8. <b>A GOOD REASON</b> , Thomas Sargent (D) 8	
9. <b>MASTERS OF FORTUNE</b> , Louis L'Amour (D) 9	
10. <b>THE HOUSE OF THE DEAD</b> , Michael Ondaatje (D) 10	

Nonfiction	POSITION LAST WEEK
1. <b>THE HOUSE OF THE DEAD</b> , Michael Ondaatje (D) 1	
2. <b>THE HOUSE OF THE DEAD</b> , Michael Ondaatje (D) 2	
3. <b>THE HOUSE OF THE DEAD</b> , Michael Ondaatje (D) 3	
4. <b>THE HOUSE OF THE DEAD</b> , Michael Ondaatje (D) 4	
5. <b>THE HOUSE OF THE DEAD</b> , Michael Ondaatje (D) 5	
6. <b>THE HOUSE OF THE DEAD</b> , Michael Ondaatje (D) 6	
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9. <b>THE HOUSE OF THE DEAD</b> , Michael Ondaatje (D) 9	
10. <b>THE HOUSE OF THE DEAD</b> , Michael Ondaatje (D) 10	

### Mountain mystery

Legendary mountaineer George Mallory was last seen alive on June 8, 1924, as he and companion Andrew Irvine were ascending Mount Everest. In *The Lost Explorer* (Simon & Schuster), co-authored with David Roberts, climber Conrad Anker describes his discovery, 75 years later, of Mallory's mummified body 8,100 m up the mountain's north face. Anker, who continued on to the mountain's summit along the mountain's north route Mallory had chosen, also offers his expert opinion on the continuing mystery of whether the 1924 expedition had made the first successful Everest ascent before disaster struck. His well-argued conclusion, not with the primitive equipment Mallory and Irvine had



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# GUIDE

## 2000

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Barbara Amiel

## It's an endangered species

No matter how stylishly termed out, Madeline Françoise Bertrand, chairwoman of the Canadian Radio-television and Telecommunications Commission, may be, what I see when the comco on television in the little far-flung head of a dinosaur winking above the road as I quicken close around it.

The CRTC is an anachronism. Born back when the available frequencies on public airwaves were limited, it could justify its existence by plucking leaves from the low hanging branches of pre-satellite foliage. Now in the world of cable and 500-plus channels, no one needs the CRTC. The dinosaur owns the Canadian landscape taking license applications, in the case of the CBC, without the power to enforce them. It faces extinction. All it can do is ensure a little work for itself: we the taxpayers are now financing Madeline Bertrand's commission tour across Canada to "explain" the recent CRTC decision on the CBC's licence renewal. I suppose we should look at the cost of their trip the way one does in donating funds to preserve an endangered species of fish—or food.

The hearings Bertrand conducted across Canada to sell her what Canadians want were a total fiasco. The CRTC should be prosecuted for invoking them in any kind of "mandate" from "the people." Those of us who have had contact over the years with government agencies know how they work. A public hearing is scheduled. The word goes out to make sure that Mr. X is at it and such-and-such an organization is contacted and well-briefed. Plenty of time is allowed for their submissions. Public notice of the hearings have to be put up, but it is all a charade. These hearings are not held anywhere that might ruin the agenda of the day—don't the CRTC carefully stayed away from Toronto and Montreal, cities that may not have bought into its agenda of "diversity" and "regional broadcasting." The hearings are about the closest thing we have to those exercises that Communist countries called "elections." Bertrand calls the hearings "representative." Of whom? The CRTC's own idea and policies?

Had Madeline Bertrand actually wanted to know what Canadians think of the CBC, she could have analyzed what millions of us do when we press the button on our channel selection aimed at listening to "80 and presentations," "6025 individuals" permitted to attend the hearings and "4,000-wireless transmissions." But perhaps she is too busy ogling on the RCMP to stage raids on the dishes Canadians like to buy so they can choose their own programs.

If the CRTC is archaic, the CBC is not far behind. I happen to be a fierce supporter of public broadcasting, but that position has become difficult to defend. My own view is that the CBC should be a centre of excellence. We have com-

mmercial specialty channels doing history and arts broadcasting, but they are going relentlessly down-market. When I watch a fine program as Robert Schwartz profile of Canadian actor Michael Schacht broadcast on Jan. 6 on CBC *Thursday*, I am elated. But up-market programs on arts, politics, sports and so on only happen to be my personal view of what public broadcasting should do. I doubt it concords with the tastes of most TV watchers in Canada who would have to finance them.

Madeline Bertrand and her lot justify their attempt to micro-manage CBC programming with some truly banal thoughts. The CRTC licensing decision begins: "We Canadians need to remind ourselves that we are a unique people and a unique country." Why? Is Bertrand suffering from a cognitive disorder? I've never met a Canadian who needed reminding. Actually, it's mainly the people who hang around Galt's gatherings or CRTC hearings who ever doubt their identity.

The CBC might be saved by some miracle, it's always had a top-heavy bureaucracy. When I worked there, you could never find a free librarian or a signaller, but there were lots of human resources people and at least the supervisors telling the producers how to do the show. And whatever arguments remain for the CBC as a program maker, there are no arguments left for it as a network or distribution system. I suspect that close to half the CBC budget goes on maintaining an anachronistic infrastructure of transmission towers, low power relays and the huge engineering network, casually superseded by technology. In an age of satellite and cable, the CBC could reduce that money to producing programs.

The CBC could get its own network on satellite or cable that would reach every home everywhere in Canada—if only the CRTC would stop in King George down roads on the technology that allows viewers to do so. The many accomplished program makers, editors, writers, performers, researchers and other talent at the CBC might find new life if they were not burdened by the insane nonsense of the CRTC.

I don't know if the CBC's new president, Robert Robertson, has the guts to ignore Bertrand and her politically correct nonsense. But he should remember that the CBC mandate is not the 10 Communist minutes—it's not set in stone. The dinosaur became extinct precisely because it could not adapt to a shifting environment. Madeline Bertrand's CRTC will not survive simply because the lack of those instincts of flexibility that are necessary in both the economic and natural world to thrive and survive. Here's hoping that Robertson is a not a half-step but a carriage ready for a good road.





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# Anger from the Deep

The last generation of Cape Breton's fabled coal miners holds out for a better deal

By John DeHoff

Tom Hutchison was just 19 and scared to death. But in 1970, he went down into No. 12 colliery in New Waterford, N.S., anyway. Tradition was part of it: his father, Fred, had been working the coal mines of Cape Breton since he was 15 and even raised his family in a small wooden house bought from his employer, Dominion Coal Co. His dad told Tom good workers could count on a job for life down in the pit. So Tom got married and moved into town to his dad. He stayed in the mines, each day heading into tunnels that stretched 10 km out under the North Atlantic—not missing a single shift for one 15-year stretch on the job. “It was in my blood,” he recalled last week. “It was hard but I loved it, all the camaraderie, all the joking and laughing.” Nowadays, Hutchison hardly smiles. He weighs 150 lbs, wears a lot and smokes too much. Mostly, now that the mines are all but gone, he wonders what kind of future there is for a 49-year-old with a high-school education and only signs of illness of the lungs.

He and the others walking the illegal picket lines last week know that the strike for the last shift sounded Jan. 28, when Cape Breton Development Corp. announced it was closing one of the island's two remaining coal mines, pioneering the other—and putting most of Devon's 1,600 workers out of work by the end of 2000. Hutchison and his wife, Debbie, cried when they heard the news. Since then, he has tried to keep his spirits up. But it is no easier at home than it was huddled in front of the fires at Devon's last remaining mine, as well as the company's coal preparation plant, transportation pier and other operations.

Some of his comrades were raising fingers, others bore

still-livid scars on their crossed, puffed faces—evidence of the dangers belowground. Even the seamstresses among them hacked and coughed, their lungs irrevocably damaged from decades of inhaling coal dust. Most of the strikers were in their 60s—basically, to the eye, the last generation of Cape Breton's fabled miners appeared far older. “Ancient ahead of our time,” is how Angus Davidson, 41, the third generation of his family to work the coal face, describes himself and his fellow miners. “Our bodies ruined by the mines just like our fathers and grandfathers before us.”

There is still some fight left in them, though. Last week, 10 miners seized the Prince colliery, the last mine still operating on the island, fearing that Devo was about to close it. Their food and water running out, they refused to surface until the federal government offered better early-retirement packages for Devo's workers. Aboveground, picketing miners offered support—while others threatened to plunge the province into darkness by blockading Nova Scotia Power Inc. generating stations in Pictou, Antigonish and Lunenburg and preventing the delivery of Devo coal as stockpiles dwindled. By week's end, federal Natural Resources Minister Ralph Goodale agreed to nip up the oldfidd, which miners' unions and would have left all workers under 50 with a severance but no pension, and was negotiating a new package.

The miners voted 83 per cent in favour of ending the strike and sitting down at the bargaining table. Even a sweeter package, however, does nothing to alter the essential reality: only a few hundred miners may find work if Devo locates a buyer for the Prince colliery. Yet even if that happens, the industry



Picketing at the Prince colliery, forcing Devo back to the table

that once employed thousands of Cape Bretoners and helped give the island its distinct identity is as good as gone. “The last chapter in this story is being written,” says Don MacGillivray, a social historian who teaches at the University College of Cape Breton in Sydney. “The pay is that it could not be done in a more humane fashion.”

Cape Breton, where the 19-per-cent unemployment rate is already nearly triple the national average, is reeling. The steel mills, the island's other large industrial employer, are also on life support. Last week, an American-led consortium slated to buy the money-losing Sydney steel mill failed to make its \$1.5-million down payment by the Wednesday deadline—a worrisome sign for employers in an enterprise that the Nova Scotia government had vowed to sell or close by Dec. 31, 1999.

Politicians talk of building an information technology sector on Cape Breton, winning a chunk of the offshore energy supply business, or capitalizing on the island's spectacular scenery and distinctive culture. But hope for the future seems lost on the young, who are fleeing Cape Breton in droves, or the workers pushed out of their jobs by degrading work conditions. Over the past 30 years, governments in Ontario and Halifax spent \$4.4 billion in government subsidies to keep the mines and steel mills open. Now, in an era of fiscal restraint, those days are gone.

Not that the jobless miners expect much sympathy outside of Cape Breton. They fully realize that last week's illegal walkout could hinder their reputation, in some circles, as rabble-rousing trade unionists who would rather go on

Upkicking money are hard to come by in the tapped-out corners of New Waterford, Glace Bay, Dominion and Sydney Mines, which sprung up in the late 1800s when the mines opened—and where most families can claim a member killed or maimed underground. Things are better than in the 1920s, when buying everything at the company-owned store was a way of life. Unions, in fact, still meet June 11 as a holiday in memory of William Devine, a striking miner who died after coal company police opened fire during the fractious strike of 1925. But it was not until the 1970s that miners finally started making a decent wage.

By then, the industry, which employed 17,000 during the Second World War, was already sliding towards obsolescence, due to the widespread conversion from coal to oil and improved mining methods. And the way things are going, Cape Breton's proud miners may soon live on as cultural icons more than anything else, immortalized by songs like *Mr. MacNeil and the Men of the Deep*—a chorus made up entirely of miners. Or brought to life in films such as *Margaret MacNeil and the Pit*, a children's drama on CBC television, that not far from where miners walked the picket line.

The real thing is becoming an anachronism. “I'm a coal miner,” Terry McVaneh, 46, a 24-year veteran, explained last week after a long day marring the barricades. “This period to be one. That's all I've ever done.” It was a heart-breaking thought on a cold night at the start of the new millennium by many people's standards, life in the pit is hard and dangerous, but McVaneh and so many others would give just about anything to have it back. ■

# Canada's chief herald finds the right fit

## Coats of arms are becoming hot items

By Jennifer Hunter

When he is not in attendance on Her Excellency in Ottawa's Rideau Hall, the Governor General's chief herald lives, with little fanfare, in a modest bungalow in North Vancouver. This morning, he answers the door wearing a dark pinstriped suit and tie and looking very official. But any hint of pomposity is belied by the sheepish giggle on his face and the lively rattle of his teenage children as they head off for an afternoon of snowboarding. The herald recognizes the dignity of the heraldic tradition—now dating back to the Middle Ages—but like most Vancouverites he doesn't take formality all too seriously. Robert Watt, 54, concides with a good natured shrug that few Canadians even know the chief herald exists or have a clue about what he does. "Most people think of laughter and flags when they think of a herald," he explains. "Staring solemn is what comes to mind, not fluffy slippers."

But Watt's quiet influence is felt from British Columbia to Newfoundland, in City Halls, aboriginal longhouses, hospitals, churches, synagogues, charitable organizations, boardrooms of major corporations, golf and country clubs, and the homes of private citizens. As chief herald, Watt creates coats of arms and has been doing so since 1988—saddled by arms. Latin scholars and heraldic experts in communities across the country "I can't draw, I can't paint," Watt says. "Happily we have wonderful artists. But most of the concepts are created by me." Since the job was first established by the government of Queen Mary II and placed under the aegis of the governor general, hundreds of crests and emblems have been created. Coats of arms, including Ed Mevish, Carol Corp, the Canadian Space Agency, Ontario Solicitor General David Tuckwood,

Orthodox synagogues Maschukin Hadas in Ottawa, the Shuswap Nation of Karst, B.C., and the new territory of Nunavut.

A coat of arms is supposed to reveal something of a person's or institution's character and history. Mevish, for example, includes a medieval gear and the motto "Honoratus" reflecting his life in Toronto at Horvitz Ltd., merry purveyor of basement bargains and entertainment. The motto on Carol's coat of arms, "Succedat while having fun," reflects her company founder Michael Cowple's penchant for the good life. The space agency's Latin motto, *Ad finem ultimum*, is borrowed from Star Trek. "Towards the final frontier." Six copies were taken into space by astronaut Roberta Bondar on her 1992 voyage. Maschukin Hadas is the first synagogue in the Commonwealth to have a coat of arms. On it is a tree of life with maple leaves and stars of David entwined. "In any other country a synagogue receiving a coat of arms would be unimaginable," says Rabbi Reuben Bulka.

Any Canadian can apply for a coat of arms, as long as he or she has made some contribution to the community. The cost is between \$1,500 and \$3,000. Two years ago, well-known B.C. magazine publisher Peter Legge received a coat of arms, with roses and maple leaves to reflect his British and Canadian heritage. "It is something I can pass down to my family and future generations," he says. Legge sees his coat of arms as an original piece of art and has it mounted in his home where he wears a pulker ring inscribed with it, and it also adorns his letterhead. "I'm still drawing and sketching of other ways I can use it," he says.

Some Canadian coats of arms even have an impressive literary provenance. Nequa Bata asked Watt to help her create a coat of arms for the Ban Shue Museum in Toronto, but she was stuck coming up with a motto. During a meet-



From top to bottom, coats of arms belonging to Ed Mevish, Joe Clark, Carol Corp, and Peter Legge.



ing with Watt at the exclusive Club Club to think out ideas, the aged novelist Robertson Davies called him over "Robertson," she said, "I need your help." In less than a minute, he had a motto for her: "One step at a time."

Former prime ministers have their own coats of arms. Jim Campbell's shield is decorated in pink and gold and displays the universal symbol for justice: a woman holding scales. John Turner's has canoe, reflecting his love of the North. Joe Clark has a picture of a printing press in his, celebrating his father's occupation as a publisher. Mulroney's has a fortress wall representing

his wife Mila's Serbian roots. Pierre Trudeau shows two figures, a voyageur and a woman in 17th-century Scottish dress, alluding to his paternal ancestry. Three wheat sheaves are metaphors for his three sons.

Watt says heraldry, which must follow strict forms, has a certain magic about it. "Once through the number of colours that can be used as heraldic, and the number of elements are limited, they can be put together in infinitely inventive ways," he explains. Being a chief herald may sound like a menial job, but the office was created by a very successful man, David Grenville, former

chamber minister in the Mulroney government and the former "lusty, perfect" master of Toronto.

Grenville, as secretary of state, first met Watt in 1986 when the latter was director of the Vancouver Museum. As Watt took Grenville on a tour of the institution to view Aboriginal art, he began to talk with passion about his hobby heraldry. He noted that native peoples have long been using their own form of heraldry—depicting animals through representations of totems, weapons, stars and other natural elements. Grenville, who says he bores his family and neighbours with "my fascination with history," became intrigued by Watt's suggestion that Canada have its own herald.

At that time, anyone who wanted a real, registered coat of arms had to apply to Scotland's Lord Lyon or the Garter King of Arms in England. "It seemed to me that Canadians had their own stories to tell," Grenville says. He believes having a coat of arms is much like having your own Web home page. "Web sites are simply heraldry in motion," he says. "A Web page says, 'Here's who I am, here's what I've done.' A coat of arms says the same thing in an iconic way."

So when Watt was offered the job by then Gov. Gen. Jeanne Sauvé, he accepted with alacrity. He understood the history of heraldry, one that started when 12th-century knights identified themselves by painting their shields. Later, monarchs began to take on the official role of granting coats of arms to honour subjects, and appointed heralds to register them.

Watt has spread about Watt's work, and lately requests for coats of arms have been flying in—32 from early November to mid-January alone. "We have to keep up with it," says Watt, who earns a salary of \$70,000 a year and keeps an office in Vancouver and at Rideau Hall. This week, he will be in Ottawa, so where he commutes twice a month. But despite the deluge from his family, Watt remains his official role with immense passion. "I've always been fascinated about how this very old art form can serve Canadians so wonderfully," he says. The job may speak of antiquity, but there is nothing old-fashioned about this herald as he offers his historic traditions into the new millennium. ■





# THE TERROR HUNT

Behind a series of U.S. arrests is a shadowy network of extremists in Europe—and Canada

By Bruce Wallace in Montreal

**Mohamed Cherfi straddles a chair** in his tiny basement apartment in Montreal's gritty north end, a tourist photo of Mecca and two printed verses from the Koran all that adorn his pale walls. He speaks softly as he describes how he fled Algeria's violent civil war as a refugee, a status Canadian immigration officials have so far refused to grant him. Cherfi just moved into the apartment last

New Year's Eve—not a good day for an Algerian to be driving a van in Montreal, he admits with a rueful smile. With one member of Montreal's Algerian community already in a U.S. jail for allegedly trying to smuggle bomb-making materials across the border, and police across the continent on high alert for suspicious behaviour at the turn of the millennium, Cherfi and his rented van immediately attracted the attention of a couple of RCMP officers. They stopped to ask him a few questions about what he was up to, before letting him go on his innocent way.

It didn't help that Cherfi was moving into the same building where Abdel Majid Dhoumane lived before he became a fugitive from police. Cherfi has met Dhoumane on a couple of occasions ("a very timid person," says Cherfi. "When a group, he's there, he hangs out as soon as you find him alone he always finds a way to leave") and security services around the world would love to know where he is right now. They say Dhoumane is an accomplice of Ahmed Ressam, the Montreal-based Algerian who was on a list to be deported from Canada when he was arrested last Dec. 14 by American customs officers on a car ferry headed from Vietnam for Washington state—allegedly with a soup of high explosives in the trunk of his car. Ressam's arrest was just the first of several in this widening affair, spawning fear that Islamic terrorists were planning some millennial fireworks of their own. In the absence of any confessions, police theorize that Ressam was delivering the

bomb parts to other militants for use in a spectacular attack during Seattle's New Year's Eve celebrations.

There have been more arrests on both coasts since the alleged plot was short-circuited. Abdel Ghani, 31, was arrested in Brooklyn, N.Y., on charges he concealed "material support" of Ressam's alleged attempt to violate U.S. explosives laws. Ghani's name and phone number were in Ressam's pocket when he was arrested. American police also claim to have linked Ghani to Abdel Hakim Tachpa, 29, who was arrested on Christmas Eve after allegedly sneaking across the U.S. border through the bushes near Haines, Wash. Another Montrealer, Lucien Gaudin, a 35-year-old mother of three, is under arrest in Vermont, charged with attempting to smuggle Algerian national Rosabade Cheneche into the United States on Dec. 19 through a sleepy Vermont border crossing. Prosecutors suggested in a Burlington, Vt., court last week he had links to other suspected Islamic extremists in Montreal. And Montreal has learned the RCMP made yet another related arrest in Montreal last week. Mokhtar Hassan, 36, was arrested in Quebec Superior Court and detained pending an extradition request from the U.S. justice department.

In Canada, the Ressam affair and its continuing fallout have dragged the shadowy world of Islamic extremists into stark view, raising questions about whether Canadian security forces are doing enough to control it. The notion of the jihad, or holy war, has likely been present in Canada for several years. One man thrust upon the scene was Faruk Karim, a 39-year-old Canadian citizen who has lived in Montreal on and off since the early 1980s and who is currently in jail in France on charges of serious conspiracy. Intelligence sources allege Karim is a key member of the loose Islamic terror network of free-floating mujahadeen, or holy warriors, determined to strike at what they regard as a corrupt and immoral Western world order. Individuals in Montreal's radical Islamic underground have been linked to foreign fighting brigades in the Afghanistan and Bosnia wars, as well as a wild and deadly 1996 shoot-out between police and Islamic militants in France.

All this has been a sharp slap to Canadians, who usually left to puzzle why Algeria's bloody but distant civil war appeared to be opening a front in Montreal. That struggle began after the country's secular generals seized



*Ressam (left), Dhoumane, residents flee amid 1996 police shootout with terror gang members in Roubaix, France (opposite). Canada's Algerian suspect did not surprise intelligence experts*

## 'The common thread linking these people is a religious ideology that is profoundly anti-Western'

power in 1992 rather than allow an Islamic fundamentalist party's election victory. The fighting, however, has seldom wandered far from Algeria's borders. Only France, the former colonial ruler, felt on a large scale the wave of bombings on the Paris subway blamed on the Armed Islamic Group, or GIA, killed eight people in 1995. And French commandos successfully stormed a hijacked plane on the tarmac at Mantes-la-Jolie in 1994, alleging its GIA hijackers were planning to blow the jet up over Paris or even crash it into the Eiffel Tower.

Yet Canada's "Algeria surprise" at Christmas was no surprise at all to international counter-intelligence forces such as the Canadian Security Intelligence Service. Various Western agencies have had Russia under intermittent surveillance at least as far back as 1996. And they agree its motives have little to do with the GIA and everything to do with the much-underplayed but widely feared Islamic extremist



Gereffi (in front drawing, Choukri) accusations of border violence

Western intelligence sources are convinced Russia was merely a "trade," a slightly arm-twisted deliveryman of dangerous cargo. But they are trying to prove his consciousness in Montreal led to higher levels in the network of radical groups, such as Egypt's Al Jihad, which are eager to smile at Western targets.

Some of this so-called link analysis conducted by Western governments continues to assume the real leads back to a Mr. Big in the radical Islamic world, with the greatest suspicion falling on exiled Saudi millionaire and avowed enemy of the

West, Osama bin Laden (page 27). But most observers caution against paying too much attention to theories behind the curtain, or a top-down command structure. The reality of the jihad, they say, is a much looser, horizontal linkage between people who may or may not share family or national roots, who may have bonded in exile or while fighting together in wars.

"The common thread linking these people is a religious ideology that is profoundly anti-Western," says George Joffe, an expert on Middle East and North African affairs at London's Royal Institute of International Affairs.

Most agree the current generation of Islamic extremists became radicalized by the Afghan war. Fighting to free Afghanistan from the Soviet grip during the waning days of the Cold War, Islamic guerrillas sopped up arms and other support from the United States and the Saudi kingdom, which was operating under the time-honored adage that the enemy of my enemy is my friend. "They were just supposed to be around long enough to drive the Russians out of Afghanistan," says Joffe. "Instead, they have refused to go away. They've turned up all over the globe."

After the Afghan war ended, many of the same fighters regrouped into at least two emporium brigades in Bosnia to help its hapless Muslim government repel the Serb and Croat attempts to carve up that country. And some seemed to Muslim centers scattered around the globe, taking advantage



Agar (far right) and fellow accused Mohamed Gherabli, Djamel Agnane and Hassan Gherabli, rejecting any terror link

of the relative freedom of movement and generous refugee laws in liberal democracies like Canada. "I'm not surprised about what seems to have happened in Montreal with the Algerians," says London-based Palestinian writer Sam Alsharif.

The same thing happened in London in the 1970s and 1980s. Comments open their borders to accept refugees escaping from troubles in places like Algeria, then suddenly discover to their dismay that these refugees have brought their politics with them. "Montreal is no exception. The people who immigrated here are exactly like in Algeria," says Muhammad Chell, the editor-in-chief of *Al-Jihad*, a Montreal Al-Jihad newspaper. "In Algeria there are people from the GIA; in Montreal there are GIA people."

But the GIA is a weakened organization these days, reeling from military pressure in Algeria and even by militias over tactics. Many Algerian extremists broke from the GIA because as terror campaigns were killing other Muslims, joining other fringes of the jihad moved (under an Algerian government peace plan, some rebels have given up their weapons in exchange for amnesty). Mustafa Zahoun, a University of Montreal scholar who studies Islamic groups, believes Montreal's GIA members may be linked to the wider network. "They are more Islamist than Algerians," he says.

Security officials now also allege that, although Islamic extremists have been living in Montreal for several years, they were only activated for the Reseau after because a police crackdown has made it difficult for them to operate in Europe. Like other parts of the extremist diaspora, the Montreal cell or cells internally function as a low team. "Their network is the object of refinement attempts on the part of Canadian secret services, and they know it," says editor Chell. Nor are they wealthy, financing themselves through petty crime and document forgery rather than living off the grand gener-

osity of bin Laden-type godfathers. Their aim is simply to develop a local support network, to be in place and ready to provide help should more senior leaders of the jihad turn up to activate the cell.

The arrival of more senior suspects in what security services watch for. That's what they now say occurred in Nairobi and Dar-es-Salaam in the weeks leading up to the massive bombings of the American embassies in those two East African cities in 1998. And they suggest that the same thing was happening but fell in Montreal. French counter-intelligence officials have been feeding names and addresses of people it suspects of being members of violent Islamic groups to CSIS since at least 1996. Last October, judges Jean-Louis Beaupre and Jean-François Boivin, France's two top anti-terrorist officials, travelled to Montreal with warrants that some of the senior people they had under surveillance in France were arriving in Canada.

Armed with tough anti-terrorism laws, the French have developed a sophisticated understanding of extremist networks. They have also been helped by evidence uncovered after a notorious 1996 shootout with the so-called gang de Redoute, recruited among poor North African Muslims in northern France. The gang, known for a series of spectacular holdups, had tried to blow up a car in a street in Lille, near the Belgian border, just before a meeting of Group of Seven employment ministers. The body-riddled vehicle failed to go off entirely, and French police forced it back to a housing block in suburban Redoute, where they arrested the next day. Four of the gang were killed in the shootout, bused to death after setting their own apartment on fire.

The gang de Redoute was closely connected to Farid Karad, a good-looking 30-year-old who had come to Montreal from

## On Canadian soil

Canada has more international terror groups active on its soil than any other country—"perhaps" excepting the United States, says Ward Black, director of the Canadian Security Intelligence Service. He told a Senate committee last June the spy agency is investigating more than 50 organizations involved in fundraising and logistical support for overseas terror groups. Key targets for CSIS are in four rows:

**Armed Islamic Group:** The GIA, an Islamic extremist group founded in 1992, aims to overthrow the Algerian government and replace it with an Islamic state.

**Hizbullah:** Lebanon's Party of God is a Shi'a Muslim radical group dedicated to creation of an Iranian-style Islamic republic in the country. Various elements of the West Bank service organizations have used terror in an attempt to destroy Israel and replace it with an Islamic Palestinian state. CSIS also aims to keep tabs on several other Palestinian radical groups.

**Islamic Group:** Egypt's largest Muslim militant organization has attacked foreign missions and fellow Shi'a Omar Abdel Rahman, implicated in the World Trade Center bombing in New York City in 1993.

**Liberation Tigers of Tamil Eelam:** Borne on creating a Tamil state in

northern Sri Lanka, the Tigers have launched numerous suicide bombings, attacks against Sri Lankan and Indian targets.

**Radical Workers' Party:** The Marxist PKK, created in 1974 in Turkey, has pursued a violent struggle for an independent Kurdish homeland in the region.

**Sikh terrorists:** A variety of Sikh-based separatist groups want to turn India's Punjab province into the state of Khalistan.

**Irish Republican Army:** Although now part of an increasingly permanent-looking ceasefire in Northern Ireland, the IRA has long received both money and weapons from North America.

Algeria in about 1983. Some officials regard Karami as the "spiritual father" of the Redoubt group. "Karami is one of the most important guys in the European network," says Vincent Caronians, former counter-terrorism chief of the CIA. Magistrate Brugnot currently has Karami locked up in a French jail under "preventive detention," arrested by the Jordanians last March as he passed through from Saudi Arabia, possibly on his way to Syria.

Karami is a Canadian citizen who married a Quebec woman from the Gaspé region, with whom he had a son. The marriage did not last. He ran a small store in Montreal for a while, although intelligence officials suggest he lived mostly off welfare and the proceeds of petty crime. In the late 1980s, he went off to fight the Soviets in Afghanistan and later spent time in Bosnia. Although Karami lived and travelled extensively through the 1990s, he



continued to return to Montreal, at one point sharing an apartment with Rouman, the alleged bomb strategist.

Among others moving in Karami's Montreal circle was Moroccan-born Karim Said Amrani, who foreign intelligence officials allege is a document forger for the jihad. Amrani also fought in Bosnia and picked up a Bosnian passport in the process. When the war

*Chief fleeing from Algeria's brutal war*

ended, he moved away on a freighter to Canada in 1995, landing in Halifax, and made a refugee claim a few weeks later. He was denied refugee status but never left Canada. Police also now allege Amrani ran a ring of thieves who stole computers and cellphones in Montreal in order to fund Islamic militants. Whatever the theories, Amrani was only ever charged with possessing a stolen credit card. When he was caught with the card in 1998, Ottawa simply deported Amrani to Bosnia.

Although there was no international crime warrant for him, Amrani's deportation still makes French investigators who are now itching to talk to him. The Russian affair has put CSIS under enormous pressure from its foreign partners. But CSIS must also elaborate how hard it can squeeze a conspiracy for information. The vast majority of Algerian exiles have fled from one of the most horrific and dangerous places on earth. Push his head and those may well be a bad deal, leading the community to close ranks. "Ninety-nine per cent of the community is people who want to succeed and work," says Elhachi Abdelouakil, 41, sitting in a cell on a small east-end Montreal strip lined with Algerian shops. "The majority fled violence." Even those alleged to be part of Amrani's ring of thieves admit they have any link to terrorism. One of them, Hichem Agoua, maintains he was also on the GPM's list but because his family worked in the government. "If I knew there was a terrorist organization in Canada," he says, "I would have been the first to denounce these people because they killed my brother."

But CSIS also knows that some Islamic exiles in Montreal in Canada have left the country again, off to help the Chechen Muslims defend themselves against the latest Russian offensive. "We have a bunch of guys out there who just don't want to retire," says one Western intelligence official. And they remain highly motivated—and very hard to find.

Ben Said Amrani, who fled from Algeria in 1995, landed in Halifax, and made a refugee claim a few weeks later. He was denied refugee status but never left Canada. Police also now allege Amrani ran a ring of thieves who stole computers and cellphones in Montreal in order to fund Islamic militants. Whatever the theories, Amrani was only ever charged with possessing a stolen credit card. When he was caught with the card in 1998, Ottawa simply deported Amrani to Bosnia.

*With Brenda Braxwell in Montreal, Barry Carter in London and Nick Spurr and Susan Bell in Paris*

# THE PRIME SUSPECT

By Andrew Phillips in Washington and Barry Carter in London

Among the rogues' gallery of gangsters, racketeers and killers that makes up the Federal Bureau of Investigation's "Ten Most Wanted" list, one face stands out. Osama bin Laden—also the Prince, the Emir, and the Director—is described as a tall, thin man who walks with a cane. He is, U.S. authorities insist, the most notorious terrorist in the world—the prime suspect in the 1998 bombings of two U.S. embassies in Africa, in which a dozen Americans and another 289 people died. And not surprisingly, the FBI says that like some Middle Eastern John Dillinger, bin Laden is "considered armed and extremely dangerous."

Just how dangerous, though, is much less clear. Even before the security crackdown that followed the arrest of suspected Al Qaeda terrorists caught trying to sneak into the United States from Canada just before Christmas, U.S. officials portrayed bin Laden as the spider at the center of a worldwide web plotting an attack on American interests. He has, they said, his own sources of funds, his own sophisticated communications infrastructure of satellite phones and Web sites, and his own occult ideology that unites disaffected Muslim services in two dozen countries. Bin Laden, U.S. counterterrorism co-ordinator Michael Sheehan told Congress in November, "has caused a truly international terrorist offense."

Part of that, at least, is surely true. The United States, as the prime target of international terror, is on guard against new dangers. The old threat was from terrorists acting on behalf of countries like Iran, Syria and Libya, or for specific

causes in Palestine and elsewhere. The new model terrorists are harder to pin down: they arrive as disaffected groups and individuals whose causes cross national borders and established organizations. Many fought alongside Afghanistan's mujahideen guerrillas against the Soviet Union in the 1980s, and have since turned up fighting for their concept of Islam in places as disparate as Algeria, Bosnia and now Chechnya. Bin Laden certainly shuns their identity, instead appeals to Muslims to "kill Americans and their allies" to force U.S. troops out of his native Saudi Arabia.

But most experts familiar with bin Laden's activities say Washington, which has passed a \$5-million U.S. reward for his capture, exaggerates his ability to direct operations around the



*Bin Laden: Afghan officials claim he no longer has access to a phone or fax*

rest to the city of Kandahar, watched around the clock by Taliban guards. "Osama bin Laden," says Bari Awara, "is as no politician right now to cause much trouble for anybody."

That is the irony that the Taliban regime, at least, wants the world to believe. Its ambassador to Pakistan, Sayed

## Experts doubt Osama bin Laden is the terrorist mastermind he's cracked up to be

Mohammad Haqqani, says bin Laden's much-touted communications network that he supposedly used to coordinate disparate Islamic groups around the world, no longer exists. "Bin Laden doesn't even have access to a telephone or a fax," says Haqqani. Nonetheless, Washington and the United Nations have imposed economic sanctions on Afghanistan to force the Taliban to turn him over to U.S. authorities. In New York City, they have charged him and 16 others with the embassy bombings. The

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involvement accuses bin Laden with being the chief of an international terror network known as al-Qaeda—"the flow."

U.S. authorities, though, have not offered any proof of a direct line from bin Laden, a 42-year-old Saudi with a personal fortune estimated at nearly \$400 million, and whoever planted the embassy bombs. The main evidence against him seems to come from his public appeals to kill Americans to drive U.S. troops out of Saudi Arabia and stop the defilement of Islam's holy places by infidel soldiers. That, plus the fact that many Islamic activists have trained in camps he runs in Afghanistan.

To some experts, that proves little. Milt Bearden, who ran the CIA's covert operations supporting the mujahideen in the late 1980s, says the myth surrounding bin Laden is much bigger than the reality. He has, says Bearden, become a cult figure among young Islamic radicals who mimic his appearance and rhetoric. "Things happen in



Police walk checks at Washington's Reagan National Airport in December 1998.

a scale, the number of international terrorist attacks is way down—from a high of 646 in 1987 to 275 in 1998 (last year's figure will be about the same when the final count is in, say officials). The number of incidents with some kind of government backing is down even more sharply—from 189 to fewer than 15.

As a result, the terrorist threat is smaller today than in many years—de-

more accept by clandestine organizations like the CIA and the National Security Agency.

No amount of money, though, can effectively counter the kind of shadowy threat that now faces the United States and other Western countries. The Islamic groups loosely in sympathy with bin Laden can be tiny—a dozen or so people grouped around a local shuk offering religious guidance. Others, like the Algerians, may be affiliated with one organization but lend their services to another. "These are angry lost souls," says Mona Yacoubian, a former state department North African analyst. "They're a mishmash of disgruntled people, so they're very hard to track."

One way to fight them is to cut off their cash. Even after the U.S. Embassy bombings, bin Laden continued to receive millions from Saudi businessmen, disguised as charities with names like Islamic Relief and Blessed Relief that U.S. authorities say are fronts for him. In December, the United Nations took steps against that. The UN General Assembly adopted an agreement that will require countries that sign it—including Canada—to freeze accounts of organizations suspected of funneling money to terrorists. That may work against some groups, such as Tamil activists who raise money in Canada and elsewhere for struggles back home. It's a longer shot against someone like bin Laden, still using up his own personal fortune. ■

Nonetheless, political pressure and public anger has driven funding for counterterrorism ever higher. In the current fiscal year, the amount of publicly known U.S. spending to fight terrorism will exceed \$15 billion—up 44 per cent in a single year as government agencies trip over each other for a piece of the rapidly expanding pie. Billions

the name of bin Laden that were never organized by bin Laden," he says. "I think we need an enemy, and we've made that guy into the enemy."

Even outside Afghanistan, say others, bin Laden's network has been largely dismantled by the Saudi government, working closely with authorities in Algeria and Egypt. Saad Singh, a prominent Saudi political dissident based in London, says that was done by detaining thousands of Arab activists who fought in Afghanistan to identify bin Laden's allies. "The Saudis now know who is who and what is what," he says.

Other governments have also clamped down on terrorism they once sponsored or tolerated. And political settlements in places like the West Bank and Northern Ireland have dissipated many of the causes that led to terror. As

the new hysterical alerts that are sounded across the United States when an apparent threat like the Algerian infiltration from Canada is uncovered. "More Americans," Bearden notes sarcastically, "are killed in auto-convoy accidents than at the hands of terrorists." In the worst recent year for terror fatalities, 12 Americans died—all in the 1998 embassy bombings. Most U.S. children—13—die every day on average from gunfire.

# Automotive Marketplace

ONTARIO

## Lease, Finance or Buy Your Next Vehicle



Dennis DesRosiers

It does not matter where I go or who I talk to, the most frequently asked question I get is, "Should I lease or finance my new vehicle?" I would like to add a third option. "Why not pay cash?" Without exception, paying cash is the least expensive way to acquire anything, including a vehicle. With cash there are no interest charges and there is something about signing a big cheque that motivates a consumer to negotiate a good deal.

A lot of costs can be hidden in a monthly loan or lease payment and they both make it too easy to agree to unwanted accessories or options. Twenty dollars a month does not sound like much but over a five-year loan or lease it

adds up to \$1,200. Many consumers are able to pay cash for their cars (about 15 to 18 per cent currently), and they should consider this option. The remaining 83 to 85 per cent of consumers are left with the complicated decision of whether to lease or to finance.

The first thing you should realize is that with both options someone is actually buying the vehicle. With a loan it is the consumer. With a lease it is the lessor (the leasing company) — usually the finance arm of one of the vehicle companies (80 per cent of leases), or a large multinational leasing company (10 per cent of leases) or a car dealer (10 per cent). The consumer (the lessee) then pays the lessor for the right to drive the



### Another common

**misperception is that less tax is paid on a lease than a loan.**

vehicle during the term of the lease.

The monthly payments on a lease or a loan are actually quite similar. A lease payment is made up of principal and interest components that, over the term of the loan, reduce the outstanding amount to zero. At the end

of the loan the vehicle is owned outright. Similarly, with a lease payment you pay off part of the principal each month, as well as what is called the "money factor" which is akin to interest on a loan balance.

The main difference between loans and leases is the amount of principal that is paid off over the term. With a loan the consumer pays off all of the principal. With a lease the consumer repays the portion of the purchase price that represents the vehicle's decline in value, or depreciation, over the lease term. With a typical \$30,000 five-year loan, principal repayment is \$560 per month. With a lease, principal repayment would be about \$350 per month, although most leases are for three or four years rather than five.

It should then surprise no one that monthly lease payments are always lower than monthly loan payments, assuming identical costs and interest rates. This is because the consumer is only paying off part of the principal on a lease but all of the principal on a loan. Monthly interest charges are always higher on a lease than on a loan, but not enough to offset the lower principal repayment. Interest is charged, in both situations, on the declining balance of the lease or loan. However, because the balance on a lease declines more slowly than on a loan, interest payments are higher. Think of the last monthly payment. On a loan, interest is negligible in the last month. On a lease, the consumer pays interest on half to two-thirds of the original cost of the vehicle. I estimate that interest on a typical lease is about \$1,500 higher than on an equivalent loan.

Remember, a lessee must purchase (or finance) the vehicle in order to lease it.

Consumers have to pay for the use of these funds (plus a profit) until the consumer returns the vehicle to the rightful owner (the lessor).

At the end of a lease someone has to pay the remaining amount owed on the vehicle. If the consumer purchases the vehicle at lease-end then this amount pays off the rest of the outstanding principal. If not then the lessor must pay the remaining amount, generally by selling the vehicle, usually at a wholesale price. But what if this is not enough to pay off the remaining amount owed on the vehicle? With a closed-end lease the lessor assumes this risk. With an open-end lease the consumer assumes it. Since used vehicle prices are volatile, I am a firm believer that consumers should never sign an open-end lease.

Many consumers mistakenly believe that because they do not own the vehicle they do not have to take care of it. However, every closed-end lease has a



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**Finally,  
consumers  
who do not  
drive a lot  
probably  
should  
not lease**

clause that says the consumer has to return the vehicle with normal wear and tear and in good working order. Leases obviously do not have this clause. If the wholesale price, at lease-end, covers the remaining amount owed on the vehicle, then

this clause is often — but not always — ignored. If the wholesale price does not cover the remaining amount owed, it is common for the lessor to come after the consumer for the cost of fixing the vehicle, be it replacing bald tires or fixing a dent in the fender. Consumers are usually better off making these repairs themselves rather than waiting for the lessor to find the problems and repair them. The best thing is simply to take proper care of the vehicle through-

out its life.

The most common problem in leasing is excess mileage. Most leases have a mileage limit of between 18,000 and 25,000 kilometres per year. Leases have no mileage limit. If the consumer drives more than the stated amount there will be a penalty (10 cents per kilometre is common, but check the amount to make sure). It is possible to buy additional kilometres up front and this is usually cheaper than waiting until the end of the lease.

Another common misperception is that less tax is paid on a lease than a loan. This is only true if the consumer does not buy the vehicle at lease end and if the consumer does buy at lease-end, he or she actually pays more tax. Interest is taxable and because there is more interest paid on a lease than

on a loan, taxes are higher. In almost all consumer situations and most business circumstances there are no special tax write-offs for leased vehicles. So if consumers cannot afford cash, should they get a loan or lease?

My rule of thumb revolves around consumers' typical ownership period and the amount they drive. If they usually own their vehicles for more than five years then they should probably use a loan. If they typically get a new vehicle every two, three or four years, then leasing is a very good option. The average length of ownership of vehicles bought new in Canada is about eight years, so most consumers would be better off financially with a loan. Most loans are paid off in four years so although the monthly payment on a loan is higher the consumer drives for free the last four years. Leases, in many respects, are a monthly payment for life, so with a lease the consumer has eight

years of monthly payments.

To be sure, during those eight years the consumer gets the use of two new vehicles if leasing and only one vehicle with a loan. This is certainly a benefit but the consumer is paying a lot for this privilege (an extra four years of monthly payments). Most of us would like a new vehicle every four years but most of us cannot afford it and probably do not need it. Leasing does not solve the problem. If you cannot afford a new vehicle every four years, then you cannot afford a new vehicle every four years. There is no magic potion in leasing.

Finally, consumers who do not drive a lot probably should not lease. To figure out how much you drive each year take the odometer reading of your vehicle and divide it by the age of the vehicle (assuming it was bought new). If it has 100,000 kilometres

on it and is five years old, then it is driven 20,000 kilometres per year. The average in Canada is 18,000 kilometres but the average in Toronto is closer to 30,000 kilometres. Consumers who only drive 12,000 to 15,000 kilometres a year should be able to get eight to 10 good low maintenance years of driving and probably should not lease.

What I am told all the time is, "I agree, I shouldn't lease, but I just can't afford the higher monthly payment of a loan and I need a new vehicle." Then get a lease. There is nothing wrong with leasing just plan on buying the vehicle at lease-end. This amount can be financed with a loan. It is very common to have a four-year lease and then a two- or three-year loan. This is expensive from an interest point of view but, for most of us, having a vehicle is as much a necessity as a good education, health care or housing.

**DISCLOSURE CHECKLIST**

Use the checklist below to compare the information offered by different leasing companies to ensure that your contract shows all of the applicable information you need to make your leasing decision.

Leasing Company Name	Leasing Company Name	Leasing Company Name	DISCLOSED INFORMATION
			Anydownside Fee
			Allowable Kms and Excess Km Charges
			Annual Percentage Rate
			Cap Protection
			Leased Vehicle Amount
			Leased Vehicle Amount Reduction
			Option to Purchase at Lease End
			Residual Value of the Vehicle
			Right to Early Purchase
			Right to Early Termination (not charged)
			Security Deposit
			Term of Lease
			Total Amount Due at Lease Ending
			Total Lease Charges
			Total Monthly Payment

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**KEEP THOSE WHEELS ON THE ROAD.**

The Forester provides outstanding traction and the superior control of its full time All-Wheel drive gives drivers greater mastery over adverse road conditions. A computerized sensor system actually senses uneven driving conditions, detecting changes in wheel speed and virtually instantly adjusting the amount of power delivered through the transmission from the engine to the wheel.



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which delivers not only precise steering, but also a comfortable ride. Steering, like all Subarus, includes optional suspension features with a 4-sensor, 4-channel ABS system designed to prevent wheel lock-up even in emergency situations.



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A number of other design features have been developed with safety in mind. The occupants are protected by a steel safety cage which is wrapped around by front and rear crumple zones, side impact door beams, a collapsible steering column and shock-absorbing front airbags. The engine is placed so that in the event of a frontal impact, it will move down and under the passenger cabin. As a matter of fact, the Insurance Institute for Highway Safety classified the Subaru Forester in an independent test with the highest crash test safety rating, superior to all other SUV's including the Honda CRV and the Toyota RAV4.

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# Auto Dealers Welcome Certification Program

Mark Brennan, Vice-President  
Toronto Automobile Dealers Association



**M**embers of the Toronto Automobile Dealers Association have welcomed the introduction of a new mandatory certification program to improve professional standards for dealers and salespeople, says Mark Brennan, vice-president of the association.

According to Brennan, president of Toronto-based Brennan Pontiac Buick GMC Ltd., "the new program is not only more comprehensive than what the industry has had in the past, it is also more structured." The program was introduced by the Ontario Motor Vehicle Industry Council (OMVIC), the self-governing body that assists the auto industry across Ontario. The certification is through a correspondence course from the Canadian Automotive Institute of Georgian College in Barrie, Ont.

Since Nov. 15, 1999, motor vehicle dealers entering the profession will be required to pass the certification course before applying for registration under the Motor Vehicle Dealers Act. New salespeople are also required to be enrolled in the course before applying for registration and to pass the course within 60 days of registration.

"While the registration program currently applies to people entering the field, the industry will be encouraging its salespeople and others to take the course," Brennan adds. "This will further enhance the professionalism of the entire industry."

The certification course is the first compulsory program for dealers and salespeople in North America.

It was developed jointly by OMVIC and the Canadian Automotive Institute, with considerable technical assistance from dealer trade associations such as

the Ontario and Toronto Automobile Dealers Associations and Used Car Dealers Association.

Brennan says the course focuses on "the rights of consumers buying a motor vehicle, responsibilities of dealers and salespeople and the many laws that govern the buying, selling and leasing of motor vehicles."

"This course is only one of a series of steps to increase professionalism within the motor vehicle dealer sector," says Carl Compton, executive director of OMVIC. "It is the first module of what we expect will be a program of ongoing education for dealers and their sales forces. It is anticipated that about 6,000 prospective new dealers and salespeople will take the course each year."

Compton says the 27,000 salespeople and dealers currently registered with OMVIC under the Ontario Motor Vehicle Dealers Act will be encouraged, but not immediately required, to take the course.

"We anticipate that, over time, dealers will choose to employ only certified salespeople in their sales force."

"We are also devoting more resources to combat unscrupulous (unregistered dealers masquerading as private individuals to sell vehicles) and continuing with consumer education programs that underscore the importance of buying vehicles from registered and certified dealers and salespeople."

Brennan says this type of educational process will provide consumers with even more confidence when purchasing or leasing a vehicle.

"It is all part of our industry's ongoing initiative to provide a more knowledgeable and credible environment for consumers. The introduction of our advertising code last year was also part of the process."

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#### Blood in Belgrade

The shooting was brief—but it ended the life of a man whose reputation had been forged by violence. Armed attacker killed Zdravko Rajacic, the Serbian paramilitary leader known as Arkan, in the lobby of Belgrade's Hotel Intercontinental on the weekend. Thought to be one of Yugoslavia's richest men, Arkan was indicted in 1997 by the United Nations war crimes tribunal for crimes committed in Bosnia.

#### A retiring Pope?

German Bishop Karl Lehmann's suggestion that Pope John Paul II could more if his health prevented him from doing his job fueled a growing, if muted, debate over whether the 79-year-old pontiff should continue. Italian newspapers said the first Pope was willing to consider the idea in 2001, after the church's jubilee year, which will include a papal visit to the Holy Land.

#### Ocalan sentence suspended

Turkey temporarily suspended the death sentence against Kurdish rebel leader Abdullahi Ocalan. His lawyers appealed the penalty to the European Court of Human Rights, which asked Turkey to wait until it reviews the case. Ocalan renewed a call for peace.

#### Cubans march for Elán

Thousands of Cuban mothers marched on the American diplomatic mission in Havana to demand the return of Elán González. The 10-year-old boy was rescued after his mother died in the boat in which they fled Cuba, and he was now living with relatives in Miami. U.S. authorities wanted the boy returned to Cuba by Jan. 14. But Attorney General Janet Reno lifted the deadline to give Elán's Miami relatives a chance to fight for the boy in court.

#### Harrods loses royal label

Prince Philip withdrew his royal warrants from London's Harrods department store in a snub of its owner, Mohammed Al Fayed. Al Fayed maintains the crash that killed his son Dodi and Diana, Princess of Wales, in 1997 was the result of a conspiracy and suggested the Royal Family wanted to prevent Diana from marrying a Muslim.

## World Notes



Feminists of various nations protest in Santiago, few hope for a legal challenge

#### Anger over letting Pinochet go home

Former Chilean dictator Augusto Pinochet, whose arrest in Britain emerged human-rights activists around the world, received a last-minute reprieve on health grounds. Pinochet, 84, has been under house arrest since he arrived in London for medical treatment in October, 1998. He was held under a contradiction warrant issued by a Spanish judge that currently charges him with 35 counts of torture and conspiracy to commit in the last stages of his 17-year rule. But British Home Secretary Jack Straw outraged Pinochet's critics by announcing he felt the general should be allowed to return to Chile because a team of doctors found him mentally and physically unfit to stand trial. Straw, who would not release the medical report, said Spanish prosecutors and human-rights lawyers had one week to make a legal case against Pinochet's return.

By official accounts, more than 3,000 people died during and after the

military coup led by Pinochet that toppled Marxist president Salvador Allende in 1973. Thousands of others say they were tortured during his rule. Straw's decision triggered protests in London and Santiago, and Spanish

Judge Baltasar Garçon, who issued the arrest warrant, said he would ask Straw for more time. But Amnesty International lawyer Geoffrey Bindman held out little hope for a legal challenge because critics have long upheld the Home Secretary's right to rule in such matters.



Pinochet (center) on Jan. 5

Ironically plans for Pinochet's return came just as Chileans were about to vote in a right presidential election on Jan. 16. Both Socialist-Christian Democratic candidate Ricardo Lagos and right-winger Joaquín Lavín had previously used to avoid the name Lagos, however, and Pinochet "should face trial" if he returns. Pinochet faces 51 charges in Chile, which could be prosecuted if he is stripped of the immunity he enjoys as a senator for life.

Cover

# Triumph of the New Media

Internet provider AOL plans to take over Time Warner

By Robert Sheppard

You would have to think that Bugs Bunny is the most surprised rabbit on the Web right now. There he was one day languishing on Time Warner's Cartoon Network, a nostalgic symbol of the glided age of Baby Boomers—in Twentieth Century. The next he is suddenly catapulted into the brave new world of the so-called new media, the fuzzy front man (front bunny?) in Time Warner's media hutch, which also houses such hot properties as *Hungry for Memory*, *Bugman*, and *Tom Hanks movies*, the cast of *Friends*, Neil Young, Madonna, *Teen* magazine and CNN. But the blockbuster merger last week of Internet giant America Online Inc. and media colossus Time Warner Inc. shook the ground in more than Bugs's world. It also raised the question of whether Canada is missing the wave of the mega-Net revolution, in do-a comprehensive new study obtained by Montreal (page 34).

For the business world, it was the sheer size of the AOL deal—and its potential to enter through the news and entertainment industry—that astounded the day. The mammoth takeover of Time Warner, the largest, though date-odd, media conglomerate in the world, by AOL, the largest Internet provider, is the new poster in a spate of worldwide merger and acquisition. The takeover, a stock-swap valued at \$156 billion (U.S.) on the day it was announced, is nearly twice the size, for example, of giant Exxon Corp.'s acquisition of Mobil Corp. in 1998. And some analysts predict it will spark a trillion-dollar shift in corporate assets in Canada and the United States as the giant also compares, film-making houses, banks, television networks, retailers and sports leagues forge their own set of vertically integrated Internet alliances.

Technocrats saw the arrangement as the inevitable triumph of the new media—flash with its dot-com dollars and glittering survey—over the old. The face of victory: Steve Case,

the 41-year-old AOL chairman, Internet aviator and former tripping developer with Pizza Hut. He has bought himself a chunk of blue-chip respectability—just a few symbolic ticks of the clock into the 21st century. Move over Bill Gates, the headlines screamed. And that is exactly what happened. By week's end, the 44-year-old titan of Microsoft ended the drama by handing over the reins of the giant software maker to his longtime No. 2, Steve Ballmer—just in numerous scandal of an antitrust breakup of Microsoft by the U.S. government. Unlike Case, who will be a hands-on chairman of the proposed new AOL Time Warner Inc., Gates intends to stay on as a kind of visionary observer.

And what a future they see. For most of its brief but spectacular rise in public consciousness, the Internet has been a tool to look things up, a cyber-place of information. But with the onset of high-speed access via cable and digital phone lines—what is called broadband service—the Internet is poised to unleash a wealth of high-quality music and videos to homes—ones, interactive and on-demand. The late communications guru Marshall McLuhan said that every new medium absorbs its predecessor for content. To paraphrase the comic strip character Pope: we have seen the future and it is television.

"The AOL deal was no surprise to anyone in the new media," observes new media guy Keith Kocho. "But it sure sur-

passed the bell out of everyone in the traditional media—which was telling." Kocho is the 38-year-old CEO of Toronto-based EasseyMedia Inc., one of the emerging (not-busiest) companies trying to help broadcasters and others master the Net, and he says the real lesson of the deal is that content is king. With the new digital and broadband technology coming to the fore, the Web will soon become a showcase for what people want to see and play with and ultimately buy. And, says Kocho, "AOL is going to push all day through as new entertainment brands,

which are currently powerful marketing tools."

AOL of Dulles, Va., and Time Warner of New York City have made no secret of this strategy. In three to five years' time, when high-speed broadband or wireless delivery is expected to be the norm, they see themselves as a kind of electronic supermarket. There will be a totally integrated offering in which they can push through the Internet their direct-to-home movies, TV shows and magazines, and, not only the advertising that goes with them, but the products viewers see on the show and the screens, services and portable equipment they will want to watch them with.

Competition like the giant AT&T Corp., cable and telephone company in the United States and Rogers Communications Inc. and Shaw Communications Inc., cable companies in Canada are also into bundling. Consumers can be offered wireless, long-distance connections and the Internet on the same bill. The next step might be service packages of so many things to be used on any of the common offerings. The step after that: interactive connections to personalized news or business services or special group discounts to electronic retailers. In current jargon, this practice is called "bundling"—as in those Russian dolls that make inside each other. "The competitive battle of the future will be over who has control of the consumer mind-share," predicts Kocho. The question of the moment: who will rise with whom?

The AOL-Time Warner deal, which will face regulatory hurdles in Europe as well as the United States, unleashed a global stock market frenzy. AOL's stock took a hammering last week, it lost 13.9 per cent of its value, or \$10.19 a share. The big investment houses applauded the deal almost in chorus. But technology funds and individual investors seemed to resent losing one of their favourite lightbulbs. Another big Internet player, Yahoo! Inc., also took a drubbing, despite repeated statements that it had no intention of making a media industry acquisition. But most potential targets—entertainment giant Walt Disney Co., film and music firms like the revamped Seagram Co. Ltd. of Montreal, news group like Rupert Murdoch's News Corp. and

## To some degree, the shock wave from the mega-merger stopped at the Canada-U.S. border

Internet action like *Toronto-based Rogers*, a cable, wireless phone and media company with ties to Microsoft and AT&T—all flamed downward on a wave of dinnary speculation.

Who will make the first move? In this country, most observers were looking at Rogers, BCE Inc. of Montreal—a wary owner of the Internet megapower—and television network CTV Inc. said CarWest Global Communications Corp. that to some degree, the AOL stock was stopped at the 49th parallel. "The difference is the border," says Andrew Riley, president of Toronto-based *Comcast*. Canadian Group Foreign ownership makes it impossible for the big U.S. dot-coms to take control of Canadian cable or telephone companies. Nor do they need to, as the Canadian Radio-television and Telecommunications Commission decided in 1996 that access to high-speed cable and telephone lines will be open to all corners, which is not the case in the United States.

Another factor is the Canadian constraint. According to a recent *PricewaterhouseCoopers* survey, 43 per cent of Canadians have access to the Internet, about the same proportion as in the United States and nearly twice that of

Europe. Canada also has a higher proportion of high-speed Internet users than in the United States, notes Brian Segal, the head of Rogers' publishing and new media ventures. But the numbers are still relatively small and the market for electronic business, he notes, is running about five years behind the Americans.

Time enough to develop an Internet strategy? Perhaps, but the clock is ticking.

The CRTX has also said that it will not regulate the Internet even when it arrives full-bore in living colour and fast-food video. That means that AOL Time Warner or CBS will someday be able to funnel their programs directly into Canadian homes, mostly by-passing Canadian television networks and Canadian regulators to boot. "Do we see that AOL deal as something



Internet analyst Gar (left) with Gerald Levine, Time Warner's chairman and CEO, the face of victory

to be feared or something to be embraced?" asks Henry Eaton, vice-president of strategy, planning at CTV in Toronto. "Well, a little bit of both."

Both CTV and CarWest Global of Winnipeg are pursuing their own Internet strategies, attempting to use TV to sell their new Web sites and vice versa. CTV has both its new *Spectrum* and *Newsworld* television channels on Web sites. *Newsworld* can actually be viewed on a high-speed site, and it is planning an interactive 24-hour channel later this year. Global is in the midst of launching 10 local news and information Web sites across the country, but is pitched aggressively by its television stations and to interact with people with local shows. "I see us basically as content providers and destination sites," says Tim Strick, the chief operating officer at Global. "Owning the pipeline, whether it's satellite transmission, cable or terrestrial line, is not where I want to be."

**Enter at CTV** Canada. Television viewing is declining sharply, most precipitously among 16- to 22-year-olds where Internet use is high. Its revenues remain strong (\$1.8 billion in 1998 against the private broadcaster and TV's crown of the advertising pie is still the largest). "The message shows we can add audience," says Eaton. "A significant number of viewers say with us is the end of each show. They came on to find our newscasts, do things we do well. TV on the Internet will separate us and make room for itself. But if we can get the most eyeballs, we can afford to pay more for the shows we want to carry."

Canadian content providers seem to want to hedge their bets over what pipeline to use or may—cable company or satellite. Even AOL Canada Inc., a relatively modest Internet player with just over 170,000 accounts but ambitious plans, remains spreading its broadband eyes among different suppliers over the next 18 months, says CEO Stephen Baskin. But do the big electronic pipeline companies want their own content suppliers, their own vertically integrated operations to match what is shaping up south of the border?

BCE is using an \$5-billion-plus war chest, courtesy of a strange sell-off and rising stock price, and also owns the largest Internet provider in the country. Its *Sympatico* service boasts over 660,000 subscribers. But Bell has been taking its "own

Gates, bending over the day-to-day rules of power Microsoft has staying on as company chairman

over time," in the words of Jose Juan Morera, in expanding its operations through an acquisition because of the high valuations of some of the big U.S. Internet portals. But with traditional telephone profits shrinking, Riley of *Comcast* Canada is one of those who think Bell should actively seek out a major partner like CTV—using the threat of AOL Time Warner to exert regulatory restrictions.

The CRTX also limits cable operation from controlling specialty channels. But they are pressing around the regulations in their own way. The Shaw family of Calgary runs Shaw Communications, a cable provider, as well as, through a separate operation, the *Comcast* Entertainment Inc. group of specialty channels and radio stations. Rogers has its own stable of well-known magazines, including *Maclean's*. Plus, it is not prohibited from developing its own television-like content on its Internet site, notes executive Segal. Dozens of small high-tech companies, like Kachef's *EuroMedia*, partially owned by the Alliance Atlantic Communications Inc. production company among others, are springing up to fill the gaps. At Rogers, plans are afoot for specialized Internet portals for women, financial planners and health providers. There is even talk of an interactive feature on its cable community channel to review can play along simultaneously with certain television game shows. "Keeping the issue of ownership aside," says Segal, "you will see a lot of activity between us and broadcasters to enhance the broadcast experience."

**Small steps?** Perhaps when compared with the dine-and-dash south of the border. But at AOL Time Warner the race was, or did they just fall into each other's arms like flailing heavyweights? Each had something the other wanted. With more than 20 million Internet subscribers, easily half the U.S. market, AOL has had several near-death experiences in its 15 years of operation and was being that out of the high-speed cable market. Time Warner has the cable outlets, 15 million of them, that AOL desired. But Time Warner needed a successful strategy to maneuver an increasingly expensive array of infrastructure onto the Internet. It may have also needed a way to satisfy its seemingly insatiable craving for large mergers.

Founded in 1922 by magazine visionary Henry Luce, the *Time* magazine chain bought Warner Communications Inc., including film and music studios, 11 years ago in what was the blockbuster deal of the day. Four years ago, it acquired Ted Turner's large broadcasting empire, including CNN, for \$7.6 billion (U.S.). Now, though *Time* Warner is the purchase in a stock swap that leaves it with 45 per cent of the proposed new enterprise, it sees its latest incarnation as "the world's first fully integrated media and communications company for the Internet century."

Given the old media/new media collisions of the two organizations, how integrated they become remains to be seen. "I am unconvinced that this merger makes much sense, except as a stock play," says Canadian veteran media watcher Ian



## What they're worth

The market capitalization of the other big players (in Canadian dollars)

### Information technology

MCI WorldCom	\$192.2 billion
AT&T	253.1 billion
Microsoft	\$38.5 billion
Internet	
eBay	25.1 billion
Arcade.com	21.7 billion
Yahoo!	134.6 billion
Canadian contenders	
Rogers Communications	13.0 billion
BCE	70.7 billion

Angus. "One thing you can say for absolute certainty about the Internet age is that the key to success is having agile enough to spin on a dime."

Angus may be right. But if AOL can come up with a way to link CNN's potential of a billion viewers worldwide with *People* magazine, Hollywood movies on demand and high-powered studios at the click of a mouse, then it will be holding a pretty hot ticket. The gains say we are entering a period of unlimited consumer choice, when Web usage will be as much of a fact in pop-up toast. Sign of the times on the same day in AOL and Time Warner announced their merger, a London newspaper revealed that Queen Elizabeth II had purchased a five-per-cent stake (worth \$249,000 Cdn.) in a dot-com company, an actual spinning firm building a giant Internet map of Britain. The old order fades, the new pushes in, swirling slowly at first, and the view down the road—nothing but Net. ■

## Big and bigger

America Online's \$156-billion (U.S.) takeover of Time Warner ranks as the world's largest. But some other proposed and recently completed mergers and acquisitions also involve mind-boggling numbers. The next five largest, in date (value at announcement date, excluding debt)

Purchaser	Acquisition	Billions of dollars (U.S.)
Vodafone AirTech (U.K.)	Manuscript (Germany)	\$124.2
MCI WorldCom (U.S.)	Sprint (U.S.)	113.6
Pfizer (U.S.)	Warner-Lambert (U.S.)	87.4
Exxon (U.S.)	Mobil (U.S.)	70
Travelers Group (U.S.)	Citicorp (U.S.)	72.6

According to a groundbreaking study, Canada has to weave a new Web to keep its high-tech entrepreneurs from leaving the country

# Missing the Internet Wave

By Anthony Wilson-Smith and Mary Janigan

The idea sounded so simple and yet so revolutionary: use the Internet to exploit the buying power of far-flung individual consumers, allowing them to sign up for bulk orders on a Web site that would drive down the price of everything from video games to hand-held computers. Convinced that it would work, the two Canadians and their American partner eagerly presented their proposal to a Toronto investment firm in the summer of 1998. No one shared their vision. "It's pretty conservative in Canada when it comes to venture capital," observes Jonathan Ehrlich, the 31-year-old co-founder of Accompany Inc., from his San Francisco headquarters. "We knew we needed to be in a place where we had access to the right type of money and the right type of networks to create the space that we could play in."

So he and co-founder Selim Tija, 26, moved to California last January—and have played—big time. Accompany's early investors include Marc Andreessen, co-founder of the widely used Web browser Netscape Communications—and it has attracted backing from top U.S. institutional investors. In the past five months, revenues, which come largely from transaction fees paid by suppliers, have at least tripled each month. Its customer base is in the "tens of thou-

sands." And, alas, it is providing jobs for 50 San Francisco employees—and that number will triple by year's end. Accompany still has big ambitions—and the spiffy economic straits that it generates—have gone south. "Canada has to realize," says Ehrlich, "that it has the ability and the talent to compete."

That message will come through loud and clear this week as the Canadian E-Business Opportunities Roundtable—a voluntary group of high-level business, education and government leaders—unveils its disturbing and compelling 48-page report, "Fast Forward: Accelerating Canada's Leadership in the Internet Economy." The report, which *Maclean's* has obtained, notes that the Canadian Internet economy represented 95,000 jobs and \$28.5 billion in revenues in 1998. And it estimates that this presence could climb to a staggering \$155 billion in revenue and 180,000 additional high-value jobs by 2003—"if Canada moves aggressively."

But Roundtable co-chairman John Roth, chief executive officer of Nurel Networks, and David Pivrot, senior vice-president of The Boston Consulting Group of Canada (BCG), warn that the nation faces daunting obstacles in that quest, ranging



Ehrlich (left) and Tija of Accompany Inc.: "Canada has to realize that it has the ability and the talent to compete"

from deeply conservative investors to high capital gains suits to complacent business executives. In the face of such obstacles, Canadian entrepreneurs like Ehrlich are opting to generate the jobs and the wealth in the United States.

The central message to governments, investors and all businesses is clear: e-commerce is not business as usual. Canada must move fast to adapt to this revolutionary way of doing business—or its economic vitality and its very standard of living could falter. "Canadian companies need to move quickly and decisively to protect their home markets and expand into new markets," the report warns. "We have already seen too many Canadian consumers and businesses relying on a U.S. Internet site, too few Canadian businesses rejecting online and too many Canadian Internet entrepreneurs taking their ideas, talent and businesses to more dynamic, congenial markets."

The report—prepared by BCG's Toronto office—makes it clear that the problems lie with the business community rather than consumers. Individual Canadians have quickly adopted the new technology: the report estimates 40 per cent of Canadians use the Internet—compared with 32 per cent of Americans. The problem is the paucity of sites. "Many Canadian markets have been slow to move," thunders the report. As a result, only 42 per cent of Canadian Internet users made at least

one online purchase in 1998—compared with 39 per cent of U.S. users. Worse, in the retail business-to-business e-commerce sector, where the value of the activity is five times the size of the faster business-to-consumer market, Canada may be slipping, increasingly behind its fast-growing rival: the report warns that the value of this market may actually decline to 7.7 per cent of U.S. levels by 2003—from 10 per cent in 1998.

The fallout could be severe. The Canadian Imperial Bank of Commerce now spends about \$250,000 per week on goods and services that are purchased online, such as office supplies. (Eventually it hopes to cut \$40 million from its \$1.3-billion operating expenses—because the purchasing power of its branches and departments will be consolidated and an ordering system will be simplified due to faster net ordering.) Senior vice-president Jack Miles says the bank has seven suppliers, including Grand & Toy, that it now deals with online. And it is taking "a very strong look" at smaller suppliers, coaxing them on to the Internet. But it is a brutal fact of life that firms that simply refuse to do business on the Internet or that are too small to service the bank's constituency needn't necessarily lose their customer.

To ease such plights, and to reverse the brain drain of out-migrating youth and fledgling firms, the report outlines a

## According to the Roundtable's report, Canada faces daunting obstacles, ranging from deeply conservative investors to high capital gains taxes

series of detailed recommendations. It calls for a two-year tax incentive to encourage investment by all Canadian companies in e-business technology. It advocates revisions in the federal tax regime, including lower capital gains taxes—and the deferral of those taxes on e-business venture capital that is rolled over into other e-business investments.

The report also asks Canadian securities regulators to change the rules that require investors who acquire shares before a public stock offering to retain their shares for up to six years after an initial public offering. Because U.S. rules are far less stringent—generally around six months instead of six years—many investors opt to take their firms public in the United States. "People are coming across the border and eating our lunch," notes Roundtable co-chairman Prosser, "and we don't even know it because there are no employees and they never even announced they were coming. This report is a huge wake-up call."

It is a Canadian success story—with a little twist: Vancouver-based Pivotal Corp. has devised a software program called eRelationship, which allows companies to manage their sales, marketing and customer service on the Internet. Revenues have grown by about 100 per cent each year for the past three years. There are 360 employees at 14 offices around the globe. Its market capitalization in the wake of a stock offering on New York's Nasdaq exchange last summer is more than \$1.5 billion.

### The flight to the United States

While the total number of graduates who leave the country is not that large, a look at the class of '95 reveals that Canada is losing an alarming percentage of the brightest and best-educated.

Degree	Graduates moving to the United States	Per cent of all graduates
College	1,362	1.4
Bachelor	2,376	1.7
Master's	683	3.2
Doctorate	359	13.0
Total	4,430	1.8

- 44% of graduates who moved to the United States were in the top 10% of their class
- 82% were in the top 25%
- 99% were in the top 50%



*Hopkins in Toronto: "We have to take the wet blanket off the economy. And we have to change our perception of our own self-worth. It seems that risk-aversion is woven into Canadians' DNA."*

In 1997, however, because serious information technology managers are in short supply in Canada, president Norm Frensis had to move his sales and marketing divisions to Seattle to attract U.S. executives. While his product development and administrative staff remain in Vancouver, 40 jobs—and all of the associated economic spinoffs such as printing contracts—are now south of the border. "It is virtually impossible to bring a senior person from the United States into Canada," says Frensis. "These people are trying to make their fortune. They are not going to give up potentially millions of dollars in capital gains taxes, personal income taxes and the taxation of options. Nobody in their right mind would come if it's a one-way ticket home."

Last summer, in an unexpected outburst, Prime Minister Jean Chrétien said that young Canadians were free to go to the United States if they felt overpaid. The Roundtable report makes it clear that they are overpaid—compared with the United States. Stock options—which are a common means of payment for many cash-starved start-up Internet firms—are taxed when they are exercised in Canada. Employees must pay capital gains on the difference between the preferred price they pay and the market value of the stock. Many struggling employees have to sell shares simply to pay

what do you  
want the Internet to be?

"like a  
half  
open  
door.  
ILLUMINATING.  
Suggesting  
there  
is  
more."

"Once de la Route, designer"

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For many Canadian companies, the fallout from not making the jump to the Net could be severe

their taxes. In the United States, the benefits are used only when the shares are sold. Worse, capital gains taxes are almost double north of the border: up to 38.5 per cent in Canada, compared with about 20 per cent in the United States. And although Finance Minister Paul Martin is likely to change the treatment of stock options in his forthcoming budget, he is resisting calls for a decrease in the capital gains tax.

There are other taxonomic issues that tilt the playing field in favour of the United States. Foreign investors who pool their funds as part of a limited liability company are not protected under the Canada-U.S. tax treaty—so they have to pay Canadian taxes on their capital gains. In late 1996, Toronto-based McLean Watson Capital Inc. struggled to get U.S. pension and university endowment funds to invest in its fledgling venture capital pool for information technology and Internet software firms. It was a lost cause. "Those investors would be paying higher Canadian tax rates," says managing partner John Ederer, "so right away they have no interest."

As well, when a Canadian company merges with a foreign firm, swapping its shares for those in the foreign firm or a new entity, its shareholders have to pay capital gains taxes immediately—even though they did not receive any cash. "This puts the Canadian entrepreneur and start-up entrepreneur at a disadvantage in their growth and development," the report warns. "It is a barrier for many new companies to move south and establish themselves initially at U.S. companies."

Each of those taxonomic disadvantages works against the report's central aim of developing so-called cluster communities in which there are Internet-savvy venture capital funds, strong research and educational institutions with access to technology firms, large anchor companies such as Nortel and Kometek, and strong media publications, among industry associations—and selected pools of entrepreneurs and technical workers. Each reinforces the other. "Once

## A Canadian model of innovation

As a fashion-conscious woman also at the cutting edge of software development, Louise Guay used to attract on the difficulty of bringing these enthusiasts together. The problem, says Guay, the forty-year-old



Guay: American taxes started to be increased in our staff

thing president of Montreal-based Public Technologies Multimedia Inc., a start-up company, is that consumers want items "they can touch and try on." So in November, 1998, her company launched My Virtual Model, software that allows Web surfers to build "electronic mirrors" of themselves online. Now, her clients include retailers Macy's, JC Penney, and Lands' End in the United States, Les Galeries Lafayette in France, and Les Boutiques San Francisco in Canada. Says Guay, whose company does not reveal sales figures:

"Our growth is incredible."

The new system was complex to design—but it is the essence of simplicity for users. By filling in questionnaires about body type and size—including skin tone and hair colour—users create a model of themselves. The model "tries on" different items and uses on display in a store's catalogue. Based on those specifications, the virtual model, which comes in 3-D silhouette, also offers fashion advice. The service is free.

It has also made Guay and her 210 employees into her customers internationally. She works extensively in the United States and Europe, and plans to open offices in both. Guay believes the fact that keeping talent in the face of high taxes in Canada and higher salaries elsewhere is increasingly difficult, and says that "American people have started to be interested in our staff"—even as the company expects to have more than 300 employees at year's end. In the meantime, Guay says, "it seems logical" to take the company public in the near future. "We would do it in the United



States," she adds, "and probably at almost the same time in Canada." But for now, at least, while her virtual models travel the world, most of their real-life creators will continue to make their home in Montreal.

Anthony Wilson-Smith and Mary Jaeger

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## For too many Internet firms, moving south of the border is just a matter of smart business

established, cluster development becomes a self-perpetuating cycle," the report says, adding gleefully that there are few examples of healthy clusters in Canada, citing only the Ottawa region's Silicon Valley North.

**Founded in 1997**, WebHousing.com is doing everything right. The Toronto-based firm provides more than 150,000 clients in 127 countries with the tools to run a small business Web site. President Jesse Rasch obtained a so-called generic domain name: 100,000 people every month reach his site, simply because they type "WebHousing" into their browser. He is profitable—"an eight-figure annual revenue stream"—because he collects monthly fees. But he became a Roundtable member because he believes that governments must quickly change the tax system. "I am not moving," he says firmly. "But I am a big upper Canadian who sees the U.S. market as interesting so quickly that they just give up."

Perhaps the greatest obstacle lies in Canadians' innate caution. In 1994, Dean Heplans left his Toronto job as a business analyst—and launched Cyberplan Inc., one of his startups at home. His dream was to design and develop applications so that companies could interact business on the Internet. But it was almost a year before any business



*Freddie: "It is virtually impossible to bring a senior person from the United States into Canada—it's a one-way talent valve snarl."*

executive even returned his telephone calls. His first client, the Shaw Festival in Niagara-on-the-Lake, Ont., was highly dubious of his scheme—even though he worked for free. Now, Toronto-based Cyberplan has 250 employees in three Canadian and five U.S. offices. Revenue for the first three quarters of last year was almost \$14 million—up 118 per cent over the same period in 1998.

Heplans is trying to make the cross-border difference work to his advantage: he solicits large contracts for Internet site development from U.S. and Canadian firms—and then employs Canadian technology developers who command lower salaries in lower-value Canadian dollars to produce the work. "We are dragging U.S. work up to Canada," he says. "We have to take the wet blanket off the economy by changing the tax regime. And we have to change our perception of our own self-worth. It seems that risk-aversion is woven into Canadian DNA."

In a way, it is almost amazing the Canadians have done as well as they have—despite the cards stacked against them. Chapter Online Inc. has fought a tough, expensive battle against the gigantic and well-established U.S. book retailer Amazon.com, emerging as the most popular Canadian online shopping site last Christmas.

And Canadian Internet venture capitalists are starting to flourish. Although McLean Watson could not get access to U.S. pension funds, Eckert persisted, and he now has the support of large Canadian players such as the Ontario Teachers' Pension Plan Board. His firm now has \$40 million invested in eight companies—and it has started another \$100-million fund. McLean Watson's successes include FitNetwork Inc., which does direct e-mail marketing for firms such as Barnes & Noble Inc., sending out millions of e-mails and providing near-instant tracking of the response. "Internet space is like dog years; it is changing very quickly," warns Eckert. "The winner is the one who gets known. To get known, you have to spend on marketing and sales. And in Canada, there is just less money."

To concentrate scarce resources, the Roundtable report



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## The lure of the greenback

Comparative 1999 salaries for various information technology jobs in Canadian dollars, with U.S. salaries adjusted at a rate of \$1 (U.S.) = \$1.25 (Cdn.) to take into account differences in purchasing power.

ENTRY LEVEL	U.S. (\$100.00)	Canada (\$125.00)	as % of U.S.
Web architect	\$ 31,243	\$ 36,182	74%
Programmer/analyst	\$9,078	\$11,096	82%
Systems design engineer	\$9,820	\$12,275	79%
Software developer	\$9,310	\$11,637	74%
Systems analyst	\$8,295	\$10,368	80%
MANAGER			
Web content manager	\$9,924	\$12,373	78%
Software development			
Manager	\$10,144	\$12,675	78%

Source: Payscale Systems and Methods Research Associates Group report, Salary research 1999-2000, [www.payscale.com/research/2000/01/01](http://www.payscale.com/research/2000/01/01)



# Just in Case the Bubble Bursts

AOL made its move before its high-flying share price could be forced to earth

By Ross Laver

"Use it or lose it." The phrase did not originate in the technology sector, but increasingly it's an article of high-flying Internet companies. What it implies is that firms whose stock is inflated because of the current mania for all things Internet should use those shares as currency to buy other companies while they still can. Otherwise, there's a risk they may "lose it" if and when the Internet bubble bursts and stock like eBay, Yahoo! and Amazon.com returns to earth.

Last week, it was Steve Case's turn to use it, and he did so in spectacular fashion. But almost forgotten amid the hype surrounding America Online Inc.'s \$1.6-billion takeover of Time Warner Inc. was one key fact: For Case, marrying AOL to one of the world's leading publishing, cable and movie empires is, above all, a defensive move. Sure, it's possible that the whole will be greater than the sum of the parts—providing Case and his counterpart at Time Warner, Gerald Levin, can reconcile the wildly different cultures of a 78-year-old media conglomerate and a 35-year-old online service that hitherto has always put technology ahead of content. For now, however, the real significance of the Time Warner deal is that it solves a pressing problem for Case, one that down the road might have threatened AOL's viability.

The problem is that AOL, as the world's biggest Internet service provider, earns most of its revenues from the monthly fee it charges subscribers for dial-up access to the Net. Up to now, the steady stream of income has been a strength, many other Net firms,

after all, have little or no revenues beyond the relatively modest advertising dollars they collect from their Web sites. But lately, AOL has watched while one competitor after another has offered free Internet access, directly undermining its business model.

One of the first companies to join the free ISP movement was a California start-up called Free-PC Inc., backed by former Hollywood mogul Barry Diller and his company USA Networks. A year ago, Free-PC began offering free computers and Internet access, in return for which users have to endure onscreen ads tailored to their interests and buying habits. Although Free-PC no longer accepts new subscribers, similar free-access deals are available from firms such as NetZero Inc., JitUp.com Corp. and FreeNet, attracting millions of consumers.

The latest and biggest entrant in the free ISP market is Excite@Home, jointly controlled by AT&T Corp. and many of North America's largest cable operators. Earlier this month, Excite@Home said it will soon offer free Net access through dial-up connections to most of the United States and Canada. People who want a high-speed connection will still have to pay about \$40 a month to use Excite@Home's cable broadband service.

For the record, AOL says it isn't troubled by the free ISP trend. But the company may be more concerned than it is prepared to admit. Notably absent among the advisers that participated in last week's Time Warner acquisition was Goldman Sachs Group Inc., which has worked for AOL before. Speaking to *The Wall Street Journal*, AOL executives noted that the acquisition from recently led a \$230-million share offering of NetZero, a move that appears to have hurt Goldman's relationship with the online giant.

To conclude that Case saw the writing on the wall from the free ISP trend is perhaps going too far in an industry that is ostensibly run on razor's edge, he does, after all, have a well-deserved reputation as a survivor. But there's no doubt that AOL was facing a formidable challenge. By buying Time Warner, Case managed to convert a huge block of his company's stock into hard assets. Some say, the deal gives him access to Time Warner's U.S. cable network, which will make it easier for AOL to roll out its own high-speed service. For that, Case can thank the invention who led up AOL's stock in the first place: With paper like this, who needs money? ■

People Edited by Tanya Davies

## Back—and never better

Speed skater Auch missed her sport

Many veteran athletes don't know when to quit, and so too long. Susan Auch figures she did the opposite. Auch left the national speed skating team after the 1998 Winter Games in Nagano, Japan, to coach and work as a TV analyst on TSN and CBC sportscasts. That was this quickly. "Last winter, when the team left for Europe, I hit a little pinkeye," the Calgary resident told *American*. "Something was missing." Not any more. Last week, the two-time Olympic silver medalist was back on her clay skates and faster than ever. Auch, 33, finished a close second in both the 500- and 1,000-meter races to teammate Camille Le May Doan at the Canadian sprint championships in Calgary. And second is no shame—Le May Doan, 25, is the reigning 500-m Olympic and world champion.

It isn't surprising that Auch contended at 500 m—she was silver in the event at both the Nagano and Lillehammer, Norway, Games. Last week, though, she set a personal best in the 1,000, and may soon challenge at that distance, too. Auch opened the year off for giving a chronic knee injury time to finally heal. And coaching other skaters, she says, has made her more technically sound. She will soon test that technique against the world—the results in Calgary earned her a berth with Le May Doan at the world sprint championships in



Auch: 'never felt like I was taking my handbars to work'

Sendal, Feb. 26 to 27. Success reinforces her decision to return to the sport. "When I look back, I realize I never felt like I was taking my handbars to work—it never felt like a job," she says, adding, "I always thought I could get better. And the exciting thing is, I did."

## Barenaked family

After conquering the American music charts, the Barenaked Ladies are meeting a similar challenge—being dials. Like Stephen Page, Ed Robertson and Tiff Stewart have five children among them, the band plans to grab a month off for half every two weeks.

This also provides Jim Cregg, 25, the now-parent in the band, time to pursue a musical side project: *The Ladies' Basement*, along with sibling Andy, 28, comprise The Brothers Cregg. "Lately, when Jim was pushing for Brothers Cregg time, the rest of the band was pushing for family time," says Andy, who was a Lady before going to study music at McGill University.



Jim and Andy Cregg: making music on the side

The Creggs, whose music is a playful blend of pop and jazz, have just released their third CD, called *Twists*. One mellow-type song recounts their older brother's childlike hiding spot. *Juliet at the Fringe*. They have performed together, off and on, since

they were kids. In 1987, the Creggs' a capella group, The Synthetics, broke 13-year-old Alexis Monette in the Rising Star Youth Talent Competition at the Canadian National Exhibition in Toronto. Six years later, they added in slaughter-different-looking Monette to sing on their first album in The Brothers Cregg. She did, even though by then she

was singing *Jagged Little Pill*, the CD that propelled her to superstardom. Unfortunately, the brothers' album did not fare as well. But this hasn't stopped the pair from revisiting their musical pet project, even if Monette is too busy to lend a hand.

# WestJet Charts a New Direction

After four years of careful growth, the Calgary-based discount carrier looks east

By Brian Bergman in Calgary

Until recently, Victoria resident Selena Blas regularly endured the two-day drive to Calgary to visit friends, compensating a sore back and occasional car breakdowns for her trouble. The 26-year-old Blas, an office manager for the nonprofit Western Canada Wilderness Committee, had little choice: she simply could not afford the prices charged by the major airlines, where a full-fare economy return ticket between the two cities goes for as much as \$1,000. Now, Blas finds she can travel for less than half of that on Calgary-based WestJet Airlines Inc., a no-frills discount carrier that, over the past five years, has built up a loyal—and lucrative—clientele on runs stretching from



South on one of the airlines' Boeing 737-200s "we had to seize the opportunity."

"capacity intensification." In plain terms, it means that many less profitable domestic flights will likely be jettisoned. At the same time, the newly merged mega-fleet may feel less compelled to offer peak-season seat sales. Both developments would bode well for discount carriers. And with other potential discount contenders waiting in the wings, WestJet decided time was a fleeting commodity. "All of a sudden, there's lots of people saying they want to be just like WestJet," says Smith. "Well, we're saying, 'How about us? We want to be like WestJet too.'"

For all of that, Smith is quick to note that WestJet, which currently runs a fleet of 14 planes and employs 1,100 people, is in no way a competitor to the combined forces of Air Canada and Canadian Airlines, with 238 planes and 39,000 employees. "Our biggest competition is the cat," he says. Nor does he see the onward expansion as a departure from WestJet's firm commitment to gradual growth and minimum long-term debt. After all, the company intends to add only one more aircraft to its now-plus-one fleet planned all along to purchase in 2003.

Like many other things about WestJet, this steady-as-you-go strategy is very much modelled on the phenomenal success of Southwest Airlines Co. of Dallas. Starting with a mere three planes in 1971, Southwest steadily expanded to the point that it now boasts over 300 aircraft serving more than 50 cities and is the fourth-largest domestic American air carrier in terms of the number of passengers moved. Southwest has done all this by dogmatically sticking to short-distance, point-to-point routes and offering low fares combined with efficient and friendly customer service.

The Southwest example was very much on the minds of Olive Bolduc and a small group of fellow Calgary businessmen when they first floated the idea of a regional discount airline in the mid-1990s—and met with widespread derision. "The reaction was, 'We've got to be busy,'" recalled Bolduc last week. Little wonder: In recent decades, more

than 100 new carriers entered the North American market. But only a handful have survived.

Like Southwest, WestJet has, to date, reduced maintenance and pilot training expenses by purchasing only one type of aircraft—used Boeing 737-200s. (The company is currently looking into adding a newer generation of aircraft to its fleet.) With an average flight duration of one hour and quick airport turn-arounds, the company is able to fly more passengers, more cheaply. It also means fewer overnight stays by pilots and flight attendants. Forgoing other extras such as inflight perks—including business-class seats and frequent flyer programs—further trims costs. WestJet did make at least one concession to Canadian sensibilities: passengers can pre-select their seats at the airport. Personally polite Canadians, explains Smith, prefer to avoid the kind of

"unhappy boarding" that routinely occurs on Southwest.

But perhaps the most important lesson taken from Southwest was to foster an upbeat corporate culture. WestJet pilots and attendants are famously happy, whenever there is the slightest delay in boarding or landing an aircraft, they are at the ready with witty jokes and games (the latter includes awarding prizes for the best passenger who can find a hole in their sock or produce a winning card). Between flights, pilots and any WestJet staff—from the president on down—who happen to be onboard are expected to help tidy up the aircraft. Smith says the key is recruiting hardworking people with a positive attitude—and then treating them right. Although WestJet employees, all of whom are non-unionized, earn less than the industry average, their incomes are supplemented through a profit-sharing plan as well as

## The cost of travelling

Sometimes, people simply must travel the hard way. A sample of some weekday prices they could expect to pay for a full-fare return economy ticket, including taxes:

### Vancouver to Calgary

Greyhound Canada bus service	\$220.13
WestJet	\$435.82
Canadian Airlines	\$805.43
Air Canada	\$972.83

### Calgary to Edmonton

Greyhound Canada bus service	\$76.82
WestJet	\$210.12
Canadian Airlines	\$420.87
Air Canada	\$510.39

### Winnipeg to Vancouver

Greyhound Canada bus service	\$286.66
WestJet	\$647.36
Canadian Airlines	\$1,800.68
Air Canada	\$1,832.17

Victoria to Thunder Bay, Ont. "I live on a pretty limited budget," says Blas. "I'm always trying to cut expenses so that I can give my friends and family WestJet prices that open."

Blas is, in many ways, a typical WestJetter. Budget-conscious seniors, single parents and young people are among the company's most frequent flyers. They simply, if ever, flew before WestJet came along, springing instead to travel by car, bus or train—or to may put. They are also willing to put up with certain inconveniences—including fewer flight choices, no onboard meals and no baggage connections to other airlines—in return for lower fares. Now, WestJet—which has consistently turned in annual profits since it first took flight in February, 1996—is preparing to expand beyond its western base. In an announcement expected perhaps as early as this week, the company will add its

first eastern Canadian destination, most likely in the teeming travel market of southern Ontario. The move is a direct response to industry giant Air Canada taking control of archrival Canadian Airlines International Ltd. "We felt there's an opening here that comes along only once in a lifetime," says WestJet president and chief executive officer Stephen Smith, "and that if we were going to become Canada's low-fare, short-haul carrier, we had to seize this opportunity."

Bold words—especially for a man who, as recently as this past summer, had said that WestJet expansion into Eastern Canada was at least three years away. What has changed, argues Smith, is nothing less than the handovers of the Canadian airline industry. Most recent analysis agree that one of the inevitable results of the near-monopoly Air Canada now enjoys is what they call

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## Business

matching contributions for employee stock purchases (about 75 per cent of WestJet workers own shares in the company). At the same time, Smith conducts monthly "town hall" meetings at which staffers are encouraged to ask whatever is on their minds. "We've been able to align the interests of employees with those of the company," says Smith. "And I believe, in the 21st century, unless you do that, you will not be successful."

Industry observers tend to be bullish about WestJet's prospects. "They are certainly on a roll," says Barry Prince, director of the University of Manitoba's Transport Institute. "There is a vacuum in the market, which WestJet has the wherewithal to exploit." Ted Larkin, a transportation analyst with Toronto-based HSBC Securities Canada Inc., agrees there is a significant and largely untapped pool of travellers for WestJet in the rest of the country. Again following the example of Southwest Airlines, Larkin expects WestJet will need to avoid the major international airports as it expands outward, opening instead for secondary airports such as St-Hubert near Montreal, the Gatineau airport north of Ottawa, and the Hamilton airport, which could service the Greater Toronto Area. "These airports are less expensive to operate in," notes Larkin, "and you're also not in the face of the major players."

For Beddoe, WestJet's success stands out over misadventure. Beddoe had earlier founded the Calgary-based Hoviver Group of companies, dabbling in everything from property development to recycling. He served as WestJet's president and chief executive officer until last March, when he hired Smith, a former Air Ontario president, to succeed him. For Beddoe, who remains WestJet's executive chairman, the most satisfying aspect is "doing what everyone and couldn't be doing: combining two big airlines, two huge corporations, and running right between their legs." As the company expands outward, WestJet's coady support processes to turn into a tradition. ■

## Fuel cells for the home

Ballard Power Systems Inc. of Burnaby, B.C., will join with Japan's Ebara Corp. and Toyota Gas to adapt Ballard's fuel-cell technology for use in Japanese homes. Fuel cells, currently used in experimental motorized vehicles, produce little or no pollution. Ballard says the cells will be supplemented by other energy sources when demand peaks.

## Jailing a swindler

Degraded Bay Street financier Patrick Kinkaid, 54, pleaded guilty to 28 charges of theft and fraud and was sentenced to five years in jail. He was also ordered to repay \$12.5 million in claims whose losses he swindled. Kinkaid's dozens of victims include his name. His final paid for luxury cars, designer clothing and exotic vacations.

## Phoenix plucked

Stephen Dufour, the bond trader accused of losing \$181 million at Phoenix Research and Trading in Toronto, was fired. Dufour, who has not been charged, says Phoenix knew he was making risky trades. Meanwhile, the Ontario Securities Commission placed a series of restrictions on Phoenix's trading. A forensic accounting report is expected to be filed with the OSC by Feb. 21.

## Cleaning house

Alliance Atlantic Communications announced a shakeup in which both president Leven Rose and David Garburg, president of another picture production, will leave. Shares in Alliance Atlantic, Canada's leading Canadian TV and film producer and distributor, hit a high of \$22.60 in February, 1999, but have since lagged as low as \$11.35.

## Swallowing the competition

British pharmaceutical giant Glaxo Wellcome PLC and SmithKline Beecham PLC resumed merger talks, which collapsed two years ago, to create the world's largest drugmaker. A day earlier, Pfizer Inc. emerged as the likely winner in the battle for U.S. drugmaker Warner-Lambert Co. when Warner-Lambert backed away from a merger deal with American Home Products Corp.

## Business Notes

### Executive sweet

## Bringing home plenty of bacon

Some of Canada's top executives are doing all right for themselves. One of the most successful is Laurent Boudreau, chairman of Montreal-based Bombardier Inc. According to the Quebec Securities Commission, in 1998 Boudreau was given the option to 400,000 shares at \$15.75 each. The shares split three times, leaving him enriched to 3.2 million shares at \$1.97 each. He exercised his option on Dec. 20; with the current market value at about \$30 each, his net gain in stocks, which he did not sell, is \$92.6 million. Matthew Barrett, former chairman of the Bank of Montreal, did OK, too.



Bombardier's Boudreau



Barrett's Knight

Barrett, who left the bank last July for Barclay's Bank in England, collected \$20.8 million in stock options, salary and other benefits in 1999. Over at the Royal Bank, chairman John Gagliardi made do with a more modest \$6.7 million—not bad considering the Royal posted a profit of just \$1.76 billion last year, down from \$1.82 billion in 1998. Fortunately for Stephen Baruch, outgoing president of Canadian The Corp. Ltd., his retirement package is a little sweeter, possibly worth more than \$6 million, plus about \$18 million in convertible stock options. Nice work for those who can get it.

## Hopes for Voisey's Bay dashed

Newfoundland and Toronto-based Inco Ltd. broke off talks to develop the \$4.3-billion Voisey's Bay nickel and cobalt deposit in Labrador. According to Inco, negotiations broke down over Premier Brian Tobin's insistence that the company build an experimental plant in the province to process the ore "even if it were uneconomic." Tobin later challenged Inco to build a pilot plant to prove the technology. Once proven, said Tobin, "the whole issue that currently divides us is resolved." The megaproject has been on hold for three years.

## Financial Outlook

In a pro-emptive strike against inflation, the Bank of England raised its key interest rate to 5.75 per cent, up 0.25 percentage points. Economists see the

increase as the lockstep to a global round of leading increases by central banks. Also last week, the U.S. labor department reported that rapidly rising energy prices pushed inflation to 2.7 per cent for 1999, the highest in three years. However, outside of energy and food, the so-called core rate of inflation rose just 1.9 per cent last year. Still, economists such as Sherry Cooper at Norbit Burns in Toronto expect the U.S. Federal Reserve Board to raise its key rate by 0.25 percentage points next month. More hikes, says Cooper, "will almost inevitably follow." The Bank of Canada is widely expected to take the same course.





Ross Laver

## Robin Hood in reverse

Two months into his term as president of the CBC, Bob Robinson has declared war on the middle-income bureaucracy at the Canadian Radio-television and Telecommunications Commission. Good for him—it's high time somebody tried to knock some sense into the agency that oversees Canada's broadcaster. While he's at it, maybe someone should take a closer look at how the CRTC regulates the phone industry. Like Robinson, several of the country's alternative long-distance providers are bugging mad about the way they are treated. Having failed to make any headway with the commission, they're about to take their case directly to the federal government.

At issue are the so-called contribution charges paid by companies such as AT&T Canada Corp. and Call-Net Enterprises Inc., a parent of Sprint Canada Inc., to subsidize basic local service. Nobody in the industry disagrees—publicly at least—with the spirit behind the subsidy system, which dates back to the start of long-distance competition in the early 1990s. The purpose was to level the playing field between new competitors and established carriers, by compensating the latter for the cost of providing local service outside core urban areas.

So much for the theory. In practice, these dosats seem to be much of a link between the amount the alternative providers pay and the cash borne by Bell Canada, Telus and other regional carriers. Nor is there any accountability. The money is simply doled up among the regional phone companies according to a formula set by the CRTC. Whether it actually used for its intended purpose is anybody's guess.

What is clear is that the contribution charges have evolved into a massive and undesired windfall for the traditional carriers. Three years ago, the CRTC established subsidy targets of \$684 million for 1998 and \$640 million for 1999. Then a price war broke out among the long-distance firms, triggered by Sprint's move to \$20-a-month unlimited calling on evenings and weekends. Suddenly, the amount of traffic handled by the alternative carriers surged. Presently, the per-minute subsidies collected by Bell and the other regional phone companies are increased, to an estimated \$873 million in 1999.

Last year, AT&T Canada and Call-Net appealed for relief, pointing out that the increase in long-distance usage has no impact on the cost of providing local service. Both companies were optimistic that the CRTC would agree to a reduc-

tion in the per-minute charge or a rebate so that the subsidy would remain in the annual target range.

No such luck. In a decision last month, the agency refused to lower the key rates, in its view, the increase in long-distance traffic was temporary and unlikely to be sustained. The current subsidy system, the ruling said, is necessary to ensure that Bell and its competitors "maintain affordable basic service for all customers."

To put it mildly, that's not how the competing phone companies see it. In a speech this week in Montreal, AT&T Canada CEO James Meenan will signal the industry's intention to challenge the CRTC's regulations. The existing subsidy system, he says, is unfair and irrational, since it rewards traditional phone companies while driving the newer players—none of which has ever made a profit—deeper into the red. "The alternative competitors are subsidizing the old monopoly companies, and that's just not reasonable," Meenan says. "If the situation doesn't change, in my view the industry is heading to a re-nationalization because nobody wants to lose money." Adds Jean Benoit, Call-Net vice-president of regulatory affairs: "Our shareholders are saying they're not prepared to subsidize competition in Canada any longer." (Full disclosure: Rogers Communications Inc., which owns Molson, holds a 17-per-cent non-voting stake in AT&T Canada.)

It's obvious why the alternative phone companies are upset, but why should anyone else care whether they make a profit? Because the way things stand, competition is seriously endangered. It's been eight years since Ottawa allowed new entrants into the industry, yet regional carriers still control 67 per cent of the business long-distance market and 73 per cent of the residential market. In local service, where most of the profits are, the traditional carriers have 99 per cent, even though AT&T Canada and others have spent billions to construct their own local and national networks. Here, too, the CRTC's policies are punitive. Even when a call from Vancouver to Toronto runs entirely on AT&T Canada's network, the company must still fork over as much as half the revenue to traditional phone companies in the form of subsidies.

Only the CRTC could come up with such a tangled, anti-competitive system and call it deregulation. In the interests of fairness, the subsidy rules should be changed

## Health

### Questioning chlorine

The treatment plant at Enfield, N.S., does its job efficiently, expelling organic matter from water drawn from the Shubenacadie River, injecting chlorine to exterminate bacteria and filtering it through layers of anthracite, sand and gravel. In spite of that, rats in September showed that the water for about 2,000 residents of the area about 15 km northwest of Halifax contained



Glasgow concerns over chemicals in tap water

129 parts per billion of suspected cancer-causing chemicals. That exceeded the 100-part-per-billion guideline for the substances called trihalomethanes, produced when chlorine reacts with organic material. The findings caused consternation among some residents, said Ian

Glasgow, administrator for the municipality. "After well explained what the results mean and how small the health risk really is," he added, "I think people realized there would be a hell of a lot more risk in not chlorinating the water."

That is undoubtedly true, since chlo-

rimation keeps typhoid, cholera and other once-common waterborne killers at bay. But high THM readings across Nova Scotia and Newfoundland are alarm bells ringing last week over a group of chemicals suspected of causing some cases of bladder cancer, cancer and, possibly, stillbirths. The issue put officials on the spot in Nova Scotia, where 18 communities tested above the federal guideline. And in a coincidental round of tests in Newfoundland, more than a dozen towns and villages tested at or over twice the federal guideline.

Communities in cash-strapped parts of the country are more likely to have problems with chlorinated water, but they are not restricted to Eastern Canada. "I don't think there's a single province that doesn't have some difficulties with this," says Barry Therasen, an Ottawa toxicologist.

Researchers first detected one of the THMs—chloroform—in chlorinated water during the 1970s. Over the next two decades, research pointed to a link



Meenan, challenging the CRTC

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## Health

between the chemicals and bladder and colon cancers. According to Will King, an epidemiologist at Queen's University in Kingston, Ont., the evidence is strongest for a slight link between chemothorax byproducts and bladder cancer. "The studies are fairly consistent," says King. "In showing a slight increase in the risk of bladder cancer for people who use chemothorax water. But we are looking at a very small relative risk."

The latest risk to surface is that chemothorax byproducts might threaten unborn babies. After examining News Scot's medical records for 50,000 pregnancies between 1988 and 1995, researchers at Halifax's Dalhousie University found that women in areas with high THM levels were 66 per cent more likely to experience stillbirths. More research is needed, says epidemiologist Linda Dodds, who led the study. "before we'll have real cause for alarm."

Despite the concerns, experts say chemothorax water generally is not a health hazard. Filtration systems in most Canadian cities keep THM levels within safe limits. And many local homes draw THM-free water from private wells. But when smaller communities that lack filtration plants chemothorax seepage-laced water from rivers and lakes, says Thomas, "that's when problems crop up."

Still, scientists are not even certain that THMs are as blameless for any chemothorax-related health risks that may exist. Chemothorax water can yield hundreds of chemical byproducts and, says King, "the problem might be THMs, or it might be something else." Given all the uncertainty, Thomas thinks Canadians who live in communities with high THM levels should play it safe. "They should take whatever action they can," he advises. By running tap water through carbon filters or drinking a good bottled water. "In an area when new health hazards seem to pop up every week, some are precautions that thousands of Canadians have already decided to take."

Mark Nichol



## Ann Dowsett Johnston

# Investing in prosperity

In the years that James Dudenard ran the prestigious University of Michigan—1988 to 1996—he made it his business to collect a set of large picture books on California earthquakes. These he kept on a bookshelf in his office, and there they stayed until Stanford or Berkeley made a bid for one of his faculty seats. Then, the books were moved to protected, front and centre, onto Dudenard's office table—strategic weapons in persuading the potential defectors to any post.

What to know whether a little earthquake portfolio ever wobbled in Dudenard's favour? But one thing is certain: few Canadian university presidents would have much luck copying his little trick. Where a powerful American university comes courting, Canadian universities are at a distinct disadvantage. While Canadian governments asked millions out of higher education in the 1990s, their counterparts south of the border made enormous, focused investment. As the Americans set it, educational policy is economic policy.

Just how far is Canada lagging? Last year, Harvard strategy guru Michael Porter and MIT's Scott Stern developed an innovation index for the Washington-based Council on Competitiveness. Designed to measure the innovative capacity of nations, it focuses on four critical factors, including resources devoted to higher education and investment in research and development. According to their index of OECD nations, Canada has ranked fourth sixth place in 1996 to its current rank of 10th, and will remain stuck there by 2005.

In a global market, where brains are the hot commodity, Canada cannot afford to underfund knowledge creation. Yet, there have been several major research initiatives on the federal level, but consider this: every dollar of direct research funding for competitive national awards brings with it indirect costs for labs, libraries, technical services, salaries and more. In the United States, where the average grant is three times the average Canadian one, at an average rate of 45 per cent of direct costs. In Canada, they are borne on the backs of students and the host university. "It's perverse," says David Johnston, president of the University of Waterloo. "You impoverish your university by your success."

If the United States is flourishing, thanks to strategic investment, where are the big thinkers in Canada? One major figure is Heather Munroe-Blum, vice-president of re-

search at the University of Toronto. Her compelling new report, "Growing Ontario's Innovation System: The Strategic Role of University Research," offers a comprehensive examination of four Canadian provinces, from U.S. states and Britain. What it focuses on building the future prosperity of Ontario, it offers a superb blueprint for fostering innovation in any region—as well as a critical report card on the strengths of research policy in British Columbia, Alberta, Quebec, and Ontario.

With strategic investment, Munroe-Blum believes that Ontario can become "the best performing research environment" in North America by 2010. At the moment, however, the province is underperforming significantly in relation to its size, talent and potential. Responsible for 41 per cent of the country's productivity, Ontario's economy ranks 10th out of all North American jurisdictions. But while Ontario spends on research and development represents a mere 1.77 per cent of its economy, nearby Michigan's investment is an impressive 5.15 per cent. According to Dudenard, a collaborator on the report, the province's performance is ominous for the entire country: "As good Ontario, so goes Canada."

Munroe-Blum's road map to sustainable excellence outlines five key policy directions, with one underlying philosophy: investment in a vibrant research environment will create a rewarding economy. One, in a global economy, success comes from fostering distinct local strengths. If the whole world can access your know-how from Chile, the Niagara region must develop an international reputation for its own speciality—namely, its wine. "Not everyone has an experience of university research," says Munroe-Blum. "But everyone benefits from it, and all suffer if the investment is inadequate."

"We'll Ontario embrace Munroe-Blum's plan?" Who knows. One thing is certain: she has looked beyond the national bias, establishing an important benchmark of regional performance. By connecting the dots between policy and prosperity, her report opens the way for creative dialogue. "In the past, we have acted as if we would rather let a Canadian success than build on it," she says. "Now that's a sea change in national attitude."

A sea change, in part, of fear—fearful that loss of a Canadian brain drain, academic loss of global competition. And fear, as much as hope, can be a very effective motivator.



Heather Munroe-Blum: big thinker



# Polished period pieces

New movies range from ancient Rome to Victorian London and the slums of Limerick

**Titus**  
Directed by Julie Taymor

Anyone looking for a map of the darkness in the human heart—a thematic blueprint to tragedies from the Holocaust to Bosnia—need only turn to Shakespeare's *Titus Andronicus*. It abounds in murders, and it climaxes in a notorious scene in which the wronged Roman general, Titus, serves up the remains of his enemy's children in a bloody pie. *Titus* has enjoyed many stage and film revivals in the bloodiest of all eras, the 20th, and, at the dawn of a new and, one hopes, more peaceful era, it returns in a stunning film version from the director of Broadway's *The Lion King*, Julie Taymor. Having already mounted *Titus Andronicus* on the New York stage, the American Taymor has thought deeply about the play, while she has cut a considerable amount of Shakespeare's dialogue, she has, in most respects, served it darkly and impressively.

Taymor has followed Shakespeare's own stage directions in keeping some of the more gruesome deaths out of sight. This helps the film avoid sensationalism, and focuses its moral core at a warning against the lust for revenge. Anthony Hopkins brings a grim, maddening solidity to the role of Titus. The proud old warrior is one of the most opaque of Shakespeare's heroes (no self-revealing soliloquies here), yet Hopkins has found subtle ways to suggest his pain and moral confusion. Less scary—in Jessica Lange's Tamora, the barbarian queen who becomes empress of Rome—and Titus's mortal enemy, Lange's Tamora is fierce enough, but

the actress speaks Shakespeare's verse like an overly earnest neophyte. Some of the film's surreal fantasy scenes, meanwhile, seem too much like clips of rock video and simply stall the action.

But setting the story among the ruins of ancient Rome was inspired. As these unhappy, revenge-haunted Romans—wearing a strange mixture of modern and period costumes—prowl among the crumbling pillars and colonnades, they seem like ghosts rising from the wretched bow of humanity's unconscious.

**John Remrose**

**Topsy-Turvy**  
Directed by Mike Leigh

**Mike Leigh's hit** 1996 film, *Servant and Lady*, had the rare verisimilitude of a pub crawl gone bad. It was funny, of course, in a lower-class English family—created by Leigh and his cast during

several months of improvisation—won the Palme d'Or in Cannes. Now Leigh has come up with something completely different. *Topsy-Turvy* is a smooth, lavish historical portrait of that great 19th-century writing team Gilbert and Sullivan. It opens in 1884, in the midst of a London best were made all the more terrible by these heavy into and costs Victorian wear. Librettist William Gilbert (Jim Broadbent) and composer Arthur Sullivan (Alan Cumming) have just launched their latest comic opera, *Pirates of the Penzance*. One critic complains that Gilbert's fantastic plots (he calls the writer the "King of Topsy-Turvydom") are warring their, and suggests the well of creativity that drained out each earlier has in *Pirates* finally run dry.

In Gilbert's dreamy Sullivan agrees. The two men quarrel and, not for the first time, go their separate ways. *Topsy-Turvy* is the story of how they get back



together again and go on to write what is arguably their masterpiece, *The Mikado*. The incident might seem to offer little in the way of dramatic possibilities, but Mike Leigh and his cast have a gift for transforming minor incidents into quietly radiant illuminations of the human condition. The greatest achievement of *Topsy-Turvy* is to show the vulnerability and, in a sense, ordinariness of the two famous writers, when a terrified Gilbert watches his petulant old father (Charles Sturges) slip into insanity he is simply a man caught, like everyone, in a moment's web. The film runs out of momentum about two-thirds of the way through, but by then it is exquisitely wrought human and historical detail—and its lavish settings of fine singing—have cast a lingering spell.

**J.B.**

**Angela's Ashes**  
Directed by Alan Parker

It's a case of mass seduction by a voice. Frank McCourt's 1996 memoir *Angela's Ashes* is a depressing litany of squalor and strife. And sometimes, as the author chronicles his childhood in the slums of Limerick, Ireland, his

powers of recall seem a little too powerful: the word "blarney" occasionally shimmers between the lines. Yet McCourt's Pulitzer Prize-winning book continues to prove irresistible, with sales of more than six million copies in 30 countries. The winning element is the author's wretchedly witty—sarcastic, wistful and humorous, like that of a pub raconteur who had just the right number of pints. Director Alan Parker was clearly aware of the voice's power when he set out to adapt *Angela's Ashes* for the screen. Using an offbeat realist throughout the movie, he and co-writer Laura Jones preserve McCourt's life and many of his funniest lines ("I was so happy I didn't know whether to sit or go blind"). But the film lacks the book's emotional power, and the faith lies with the casting and the performance Parker has drawn from his actors.

Joe Breen, Ciaran Owens and Michael Legge are all affecting as Frank at various stages of his childhood, although Legge is too smugly handsome to play a father, and undernourished teenager Moore unfortunately was the choice of Robert Carlyle (*Thelma & Louise*) for the role of the father, Malachy. As Frank describes him,

Some from Angela's Ashes never has back-lane Ireland looked so fostering

Malachy was a silver-tongued drunk whose power of self-delusion allowed him to buy sounds for his mates rather than food for his children. Carlyle's Malachy is pinched, brooding, and well aware of the pain he's causing. As the matriarch, Angela, Emily Watson (*Breaking the Waves*, *Hilary and Jack*) is more successful, though the film-makers were perhaps too faithful to McCourt's portrayal—this mother is so beaten-down and must that she scarcely commands the viewer's attention.

One of the film's strengths is the art direction: never has back-lane Ireland looked so fostering, sordid and nondescript. And Parker apprehends a critical aspect of McCourt's tale: Frank and his siblings, typical children, made the best of their grim surroundings. So whenever the McCourt kids find the ground floor of their rented house flooded by several inches of water, they gaily splash about in it. Frank McCourt still harbors some of that vitality, which is why *Angela's Ashes* is so beloved.

**Patricia Hruby**



Hopkins the actor finds subtle ways to suggest Titus's pain and moral confusion



Allan Fotheringham

## From Bogie to Hemingway

So, you see, the idea was that we squeeze and I would try to imitate Bogie and Kate Hepburn floating down a hot, steamy, rocky, slow tropical river.

The only difficulty was that this was not *The African Queen* but the *Amazon Princess*. The idea was so much for the sense of the mighty Amazon, which at some stages stretches 64 km wide. But in season, it narrows out, closer to the Pacific than the Atlantic.

At its source, it almost touches Lima on the Pacific. It has swifter a coast next away. This is going to be a long journey. Hello there, Bogie.

There is Iquitos, a jungle-locked city in the Peruvian rainforest. There are 600,000 people here, and no roads out of it. The only access is by air or by water. Outgoing cruise ships can get here, 3,700 km up the Amazon from the Atlantic.

It was once the clearinghouse for the tons of rubber shipped to Europe. A funny thing happened—Christian Columbian found Indians using strange "elastic" balls in their games. But there was no commercial use for this soft and gooey natural rubber.

Not until Charles Goodyear—you may recognize the name—did vulcanization. And John Boyd Dunlop—you might remember—creating the pneumatic tire, which just happily coincided with Henry Ford's assembly line.

Iquitos and the Amazon were the center of the rubber boom that lasted from 1880 to 1912. Then a smelly Englishman named Henry Wickham collected 70,000 rubber seeds and smuggled them out of the Amazon. First transplanted in Kew Gardens in London, they were safely shipped to tropical Asia where they were immune from indigenous diseases. The Brazil rubber boom ended in 1912. Today, Iquitos is the world capital for three-passenger motorcycle taxis.

In the plaza is the Iron House, which was designed by Gustave Eiffel, whose tower in Paris was the first steel-framed place in the Millenium Flowerbed Sweepstakes. It was shipped here by a local rubber bison. The waterfront is speckled with Eiffel's busy ironwork shop balconies, quite like New Orleans' Latin Quarter.

We sit downriver at a lodge. There are no electric lights. No hot water. The ablutions are performed in a tin basin and a bucket of water, the remainder to be tossed out the window. We arose from Bogie to Hemingway-esque, the

parous and the rascals awake at dawn. There is no need for a write-up call.

Our guide, Armando, given strict instructions for the jungle hike. Walking boots, socks fastened securely over the pants, long-sleeved shirts, screen sun wear. At the finish, we look like one of Chairman Mao's honour guards. Armando shows up in tennis shoes, basketball shorts. It is Michael Jordan and a U.S.A. World Cup 1994 cap (worn backwards, as expected).

The coolest place in the jungle is the jungle. It is some 31° C. The overhead foliage is a roof, the sun denied any intrusion. Only in the open air is one aware by the sun. Noel Coward—only and dogs and Englishmen go out in the middle sun—just celebrated the 100th anniversary of his lucky, genius birth. We are 450 km south of the equator.

We go bird-watching, the dark overcast gliding through endless swamps of water lilies that are the first across with a single flower. Monet would be jealous. There is Armando with his binoculars, guiding us to the Lesser Yellow-Throated Vulture, the Black Cap Maching Tanager, son of the mermaid (highlight of the visit) Three-Toed Sloth—captured on camera—and the never-to-be-forgotten Yellow-Breasted Banderbender.

One morning, I am disabled by a parasite walking across the open horizon above my mosquito-netted bed in challenge. On another morning, an ecologically large ope—a wild boar-like animal with a stout like an armadillo—wandered from the kitchen, all 300 lb of it and dubbed "Nidde" by the staff.

We are warned, in the official tourist pamphlet, not to ruin the native population by offering them money. Armando adds us, to our reluctance, to a "native Indian ritual" off to the jungle. The women have fairly digested grass shreds over their bosoms. This is bad. *National Geographic*. Armando darts with a grandmother whose bosoms have gone south decades ago.

Armando and I depart, eventually I know it, he knows it. I have seen the raging Foz de Iruya (Hudson). I have seen the mighty Mississippi, and the grandeur of the Nile. But nothing compares to the weight, the breadth and the diversity of the Amazon.

It's gonna be a long journey. Stay tuned.



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